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ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

SELF-OWNED STATUS SOUGHT FOR STATE-OWNED ENTERPRISES

Fuzhou FUJIAN LUNTAN [FUJIAN FORUM] in Chinese No 10, 1985 pp 5-7

[Article by Zhang Bingguang [1728 3521 0342]: "State-Owned Enterprises Must Become Self-Owned"]

[Text] Whether state-owned enterprises should become self-owned is an important problem raised by both theory and practice.

First, it involves the major theoretical issue of the basis for the labor products of state-owned enterprises being commodities and the state-owned economy being a commodity economy. Some comrades think that the basic reason why the labor products exchanged by state-owned enterprises are commodities is that enterprises have autonomy. Actually this is not so. Except for the diversified economy component of socialist society, there is, indeed, no basis for the existence of a commodity economy in the state-owned system. Since state-owned enterprise ownership rights belong to the state, enterprise autonomy is not equivalent to ownership and the "various public owners" derived from enterprise autonomy are, indeed, not like the "various public owners" determined by collectively owned enterprise ownership and cannot be regarded as the basis for the labor products or state-owned enterprises becoming commodities nor, of course, as the basis for the state-owned economy becoming a commodity economy. Only after the labor products of state-owned enterprises are exchanged with the labor products of other economic management units is ownership transferred and the commodity form adopted. It is thus clear that the problem of whether state-owned enterprises should become self-owned is still one of whether their labor products can become commodities and also of whether the state-owned economy can become a commodity economy.

Second, the problem of whether state-owned enterprises should become self-owned involves the key problem of whether they can become genuine enterprises and qualified corporations. In actual economic activity, some foreign businessmen who come to China to discuss trade are unwilling to directly approach our state-owned enterprises, but want to see the departments responsible for state-owned enterprise work and even local party and government responsible people. They think that our state-owned enterprises, indeed, have no form of ownership and are not the principal decisionmaking bodies, and that the departments responsible for state-owned enterprise work and even local party and government responsible people actually control state-owned enterprise ownership and are the principal decisionmaking bodies. In other words, China's existing state-owned enterprises are still not genuine enterprises and are only similar to a Japanese corporation's subordinate enterprise factories.

From this perspective, the problem of whether state-owned enterprises should become self-owned is again one of whether they can become genuine enterprises and establish their position as corporations. Some comrades think that an external reason why state-owned enterprises lack vitality is that some departments have not truly established the idea that an enterprise has a corporate status. But corporate status derives from such forms of ownership as a corporation's inherent and acting ownership. Since our state-owned enterprises do not have any form of self-ownership, they do not, per se, have corporate qualifications. It is precisely this internal reason that has caused the external phenomenon of denying enterprise corporate status.

Third, enterprise bankruptcy laws must be enacted to resolve the problem of whether state-owned enterprises should become self-owned. Every year, approximately one-fifth of China's state-owned enterprises incur losses. The accumulated losses of many of these enterprises exceed 50 percent of their net fixed-asset value and they are on the verge of bankruptcy. If they are not allowed to go bankrupt, they will impoverish the state. Thus, the demand for the formulation and enforcement of domestic enterprise bankruptcy laws has become more and more insistent. But self-owned enterprises are the economic foundation upon which the formulation of enterprise bankruptcy laws relies. Since state-owned enterprises are not self-owned, they have no property which they can lose, and since they are state-owned, bankruptcy means state bankruptcy. The state of course will not go bankrupt, since the total losses of all bankrupt state-owned enterprises is not enough to cause state bankruptcy. Thus, there can only be enterprise bankruptcy and absolutely not "state bankruptcy." But in order for enterprises to go bankrupt, they must have property which they can lose and become self-owned.

To sum up, the problem of whether state-owned enterprises should become self-owned depends upon whether the labor products of state-owned enterprises actually become commodities, whether the state ownership system becomes a commodity economy in fact as well as in name, whether state-owned enterprises become genuine enterprises and qualified corporations, and whether enterprise bankruptcy laws are enacted.

The most direct way to enable state-owned enterprises to become self-owned would be to abolish state ownership and change state-owned enterprises into non-state-owned, collectively-owned, group-owned or enterprise-owned enterprises. But would this be reasonable and feasible?

Based on the development needs of productive forces, our socialist economy should be a planned commodity economy based on public ownership. Relying on the enthusiasm and creativity of all the people throughout society as its masters, it is the most reasonable and dynamic form of overall economic planning and leadership. Overall planning and leadership rely on the state, and the state must rely on its state-owned industrial and commercial enterprise ownership, which controls and accounts for the biggest proportion of the national economy. Without this ownership, the state would have no way to organize and ensure its overall planning and leadership of the national economy, and its ordered, directed and guided planning (through state-owned enterprise participation in market regulation) would all fail. The major task of overall state planning and leadership of the national economy is to ensure that the social economy develops in directions favorable to socialism. This must rely on state-controlled economic strength, i.e., principally on state-owned industrial enterprises, which account for approximately 80 percent of China's gross industrial output value, and state-owned commercial enterprises, which account for over 70 percent of our total volume of retail commodity sales. Only by relying on its state-owned industrial and commercial enterprise ownership can the state control such abundant economic strength. Without this ownership, it would be unable to ensure and uphold its socialist orientation.

State-owned enterprises were established by the state through confiscating bureaucrat capitalist enterprises, buying national capitalist enterprises and approving allocations and loans, and the state's rational and legal state-owned enterprise ownership is undoubtedly a result of this. Thus, except for a few enterprises, allowing the state to renounce its state-owned enterprise ownership would be both unreasonable and impracticable.

Therefore, should the state own the privately owned funds of state-owned enterprises, the fixed assets purchased with their privately owned funds and the part of their fixed-asset net value which exceeds the orignal value? The answer is in the affirmative. This is because the state itself is a state-owned enterprise, state-owned enterprises are merely the state's basic economic units and the economic relations between the state and state-owned enterprises are subordinate economic relations, i.e., relations between an entity and its units. As an entity, the state has the power to stipulate whether state-owned enterprises should have privately owned funds and the amount of their funds and fixed assets. This is a matter of the ownership of an entity and belongs to the problem of whether its ownership is used properly, i.e., whether it is exercised according to the needs of objective laws. Privately owned funds of state-owned enterprises, the fixed assets purchased with their privately owned funds and the part of their fixed-asset net value which exceeds the original value are all derived from direct and independent state investment and retained for enterprise use according to state stipulations. They are, in essence, a continuing state investment in enterprises and are, naturally, owned by the state.

How can state-owned enterprises become self-owned without abolishing state ownership? In an article [Footnote 1] (See "The Commodity Production Law of Value and Expanding Enterprise Jurisdiction" pp 359-360, published in June 1980 by the China Social Sciences Publishing House), I divided state-owned enterprise ownership into two levels: final ownership, which is controlled by the state, and acting ownership, which is turned over to the enterprise. According to the principle of authorizing economic management, the state requires state-owned enterprises, premised on their submitting to its unified leadership, to carry out their management activities independently and on their own initiative, i.e., it must entrust state-owned enterprise ownership to acting enterprise agents; but it must be able to lead them scientifically, control them rationally and effectively and retain its final ownership. Thus, the principle of authorizing economic management is the basis for dividing state-owned enterprise ownership into two levels. Therefore, how can the dual-ownership division be realized in practice?

1. Through state-owned enterprise registration, all forms of fixed and circulating assets given to state-owned enterprises by the state should be regarded as registered state-owned enterprise funds. From now on, additional allocated funds (including privately owned funds of state-owned enterprises), along with registered funds, should all be state-owned enterprise funds. Except for special situations, the state should not transfer state-owned enterprise funds. Moreover, it must clearly stipulate through legal forms that state-owned enterprise fund ownership is entrusted to acting state-owned enterprise agents in a relatively permanent way. When customers from home and abroad want credit certification of state-owned enterprises, banks can issue fact certification and the enterprises can also show their registration credentials. According to production and management needs, state-owned enterprises should have the authority to handle all of the funds entrusted to them. They should rely on their acting ownership to become genuine independent basic economic units. In this way, a new system can be formed, wherein the state is an entity and state-owned enterprises are its units.

If state-owned enterprises are regarded as state ownership units, there will be an objective institutional basis for their labor products to become commodities and also a real economic foundation for them to become genuine enterprises and qualified corporations and for enterprise bankruptcy laws to be formulated.

2. After state-owned enterprises have acting ownership, they should become the principal management decisionmakers of state-owned enterprises. As the principal decisionmakers, they must be fully responsible for the consequences of their decisions (including investment risks) and integrate their decisionmaking, economic and administrative resonsibilities. In this way, leadership quality of state-owned enterprise can be distinguished principally by the success of its enterprise management and the extent of its contribution to the state.

3. The part of state-owned enterprise income paid to the state through the substitution of taxes for profits is not free income acquired by the state through its political power, but is compensatory income acquired by the state through its enterprise ownership. Thus, it is not tax revenue in its original sense. This part of state revenue should be classified as production development funds and a considerable part of it should be used for supplemental, compensatory or return investment in state-owned enterprises and, particularly, for strengthening the self-transformation and self-development capacity of large and key enterprises. This is an important expression of the correct exercise of final state ownership according to the needs of objective laws.

The above three points are a rough idea of how to carry out the dual-ownership division.

State-owned enterprises not having ownership and management decisionmaking rights and the state only collecting taxes and profits from and not continuing to invest in them is a result of our half-natural, half-commodity economy. After they acquire acting ownership and management decisionmaking rights and after compensatory economic intercourse is strictly carried out between them and the state, state-owned enterprises will move from the half-natural, half-commodity economy era into the planned commodity economy era. As long as they do not have ownership and decisionmaking rights and they and the state "take from each other indiscriminately," state-owned enterprises will, in fact, remain in a nonenterprise or semienterprise position; after they acquire acting ownership and decisionmaking rights and compensatory intercourse is strictly carried out between them and the state, state-owned enterprises will advance to a genuine enterprise status. Thus, the realization of the division of state-owned enterprise ownership into final and acting ownership and the formation of the new system, wherein the state is an entity and enterprises are its units, will enable state-owned enterprises to move into an improved era.

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NATIONAL POLICY AND ISSUES

IMPACT OF TECHNOLOGICAL REVOLUTION ON SMALL CITIES, TOWNS

Taiyuan JISHU JINGJI YU GUANLI YANJIU [STUDIES ON THE ECONOMICS AND MANAGEMENT OF TECHNOLOGY] in Chinese No 4, 85 pp 32-34

[Article by Zhang Jingzong [1728 0403 1350] and Zhang Zhangeng [1728 0594 5087]: "How Small Cities and Towns Are Coping with the New Technological Revolution"]

[Excerpt] III. Special Features and Background of Upsurge of Small Cities and Towns

While the economically developed regions and countries are in the midst of an "antiurbanization movement," an "upsurge of enthusiasm for the establishment of small cities and towns" has emerged in the undeveloped Chinese mainland in the early 1980's. According to statistics supplied by the Ministry of Civil Affairs, 5,698 cities and towns had been established throughout the nation by June 1984, showing an increase of 65 percent compared to 1979, and some 10,000 cities and towns were expected to be established by the end of 1984. The development of densely concentrated small cities and towns is especially rapid along the coastal provinces. There are on the average 1.5 small cities and towns for every 100 sq km in Jiangsu Province, 2.3 for every 100 sq km in Suzhou Prefecture and 3 for every 100 sq km in Wuxi County.

Although the upsurge of small cities and towns occurred only a few short years ago, the economic and social role they play in our nation and their contribution to the development of our national economy should not be underestimated.

First, small cities and towns are important bases for speeding up the modernization of agriculture and for turning around the backward state of the rural areas. Enjoying as they do the geographical advantage of proximity to the rural areas, the small cities and town are in a good position to satisfy the needs for agricultural production, to supply the means of production when and where they are needed and to make advanced technical equipment available for agricultural production. The development of industrial and commercial enterprises in the small cities and towns not only helps to strengthen the collective economy but also to supply funds in support of agriculture, to make use of surplus agricultural labor and to turn potential productive power into real productive power:

Second, the establishment of small cities and towns has improved the distribution of industries in our nation and speeded up the pace of industrial modernization. According to statistics, the total production value of the various industries in the small cities and towns has exceeded 20 percent of the total value of industrial production in the entire nation, a percentage that is expected to continue to rise.

Third, small cities and towns constitute a link between industry and agriculture and a bridge for the exchange of supplies between the cities and the rural areas. Forming a link between cities on one side and vast rural areas on the other, the small cities and towns enjoy the special features of both the cities and the rural areas and are capable of playing a role which cannot be played by the cities or rural areas alone. While the cities must rely on the small cities and towns for the purchasing, assembling and transshipment of large amounts of subsidiary agricultural products and the industrial raw materials that they need, they must also depend on the small cities and towns to use various channels of circulation to make various supplies from the cities available to the peasants.

Fourth, small cities and towns are the scientific, technological, cultural and public health centers in the rural areas and important bastions for the establishment of spiritual civilization. All or our small cities and towns have a certain number of cultural, educational, scientific and technical, public health and recreational establishments and personnel. Through their efforts, the small cities and towns have become, or are in the process of becoming, centers for scientific, technical and personnel training, the development of the intellect, the dissemination of advanced technology, the raising of the cultural level of vast numbers of peasants and bastions of increasing importance for the propagation of socialist spiritual civilization among the peasants and the masses.

That the emergence of small cities and towns in China differs from that in the West is due to the special conditions in China. The rise of small cities and towns in the West occurred under conditions marked by the intensive concentration of population in the cities. According to statistics for 1980, the ratio of the population in the cities out of the total population was 88.3 percent in Britian, 86.4 percent in the FRG, 82.7 percent in the United States, 87.3 percent in France and 63.3 in Japan. It was only after the intensive concentration of the population in the cities that the tide began to turn the other way and small cities and towns began to emerge. Is it necessary for our small cities and towns to go through the "citification" process undergone by the economically developed countries and to take the zigzag course of moving the population in large cities back to the small cities after it had congregated in the large cities? There is neither the necessity nor the possibility of that happening. At the moment, surplus labor constitutes 30 to 40 percent of the total labor force in our rural areas. The percentage is over 60 percent in certain areas. It is expected to reach 300 to 400 million by the end of the century. If the surplus labor force were to be absorbed by large cities, it would be necessary to establish 300 to 400 cities each with a population of 1 million, something which is entirely out of the question considering the enormous investment. Under the circumstances, there is only one avenue open to us and that is to steer clear of large cities and to engage directly in the establishment of small cities and towns. That is the citification process we have come up with at the initial period of the new technological revolution and on the basis of our own experience that is in line with the conditions in our nation and the general trend of urban development in the world.

The development of small cities and towns in China differs from that in the economically developed nations in many respects: 1) The motive power behind the development of small cities and towns comes not from the trend of decentralization of industrial enterprises in the large cities but from the development of commodity production in the rural areas. 2) For a considerable period of time, the small cities and towns in our nation will essentially be involved with providing services to the rural areas and most of the industries in the villages and towns will be engaged in the processing of subsidiary agricultural products, construction and mining. 3) Most of the new residents in the small cities and towns will come from the rural areas. However, the policy of "leaving the farm but not the village and going into the factory without going into the city" is to be adopted. Most of the residents will be of a type known as "amphibious" peasants or "migratory bird" peasants who engage in planting during the busy growing season and in the industries and commerce during the slack growing season and who live in the rural areas while engaged in farming and in the small cities and towns while engaged in the industries and commerce. 4) The small cities and towns are being developed according to a plan.

In developing our small cities and towns, we must proceed from actual circumstances, take note of the special features mentioned above and avoid adopting in a haphazard manner the models set by the economically developed countries. We must not, at the same time, regard the emergence of small cities and towns in the early 1980's as a phenomenon reflecting the isolated position adopted by our nation. Although the establishment of small cities and towns in our nation is the direct result of the high degree of development of commodity production in our rural areas, it has taken place against the larger background of the new technological revolution and the general tendency for the large cities in the world to develop small cities and towns. We must go about the establishment of small cities and towns with an eye on this general trend. We must make the vigorous development of small cities and towns an immutable basic policy of the state in the development of our cities and not hesitate to exercise control over them. Furthermore, we must establish a link between our small cities and towns and the development of the rural economy and make the small cities and towns important bases for the modernization of our agriculture. We must also establish a link between the establishment of small cities and towns and the trend of development of our cities and make the small cities and towns the testing grounds for the establishment of a new type of city in the future.

IV. Certain Problems Relating to the Establishment of Small Cities and Towns

First, the establishment of small cities and towns in our nation should be regarded as a major policy decision in our new technological revolution.

In dealing with the technological revolution, many nations in the world have included the establishment of small cities and towns in their strategy for economic and social development. In addition to such economically developed countries as the United States, the FRG and Japan which are vigorously engaged in the development of small cities and towns, the USSR, [North] Korea and the Eastern European countries have also evinced a great deal of interest. Due to the inadequate implementation of our policy of exercising control over the size of the large cities and of developing small cities and towns vigorously, the large cities have continued to expand and sufficient importance has not been attached to the establishment of small cities and towns. We must take a broad and long-term view, observe carefully the general trend of the development of cities throughout the world, put s stop to undesirable trends and make the vigorous development of small cities and towns a basic policy of the state for the social and economic development of the nation in order to meet the needs of the new technological revolution and to promote the development of the national economy.

Second, we must give adequate consideration to the effect which the new technological revolution has on small cities and towns and make long-term plans for their establishment.

In making plans for the establishment of small cities and towns, we must not only concern ourselves with immediate gains but also future benefits. Unlike the traditional small cities and towns, the small cities and towns in this day and age constitute vital links in the network of large and modernized cities as well as economic and cultural centers of modernized agriculture. For that reason, importance must be attached by the small cities and towns to the establishment of an information network. They must strengthen the market information network, the scientific and technological information network and the postal and telecommunications network so that the small cities and towns may gradually be served by modern media of information.

The small cities and towns must put an end to the longstanding antithesis existing between the cities and the natural world. We must study the various forms of the "biological chain" and the "material cycle" and establish small cities and towns on a sound and ecologically balanced foundation. For instance, plans should be made to construct underground or semiunderground buildings that are warm in winter and cool in summer, to make use of solar, biological, wind and water power as sources of energy, energetically develop high-volume family and courtyard urban agriculture, and so on, to extensively develop small cities and towns that are modern and ecologically sound.

Small cities and towns are cultural as well as political and economic centers. That being the case, we must, in planning the establishment of small cities and towns, attach importance to the favorable development of the various socialist moral principles that contribute to friendly relations among the people. For instance, in the construction of housing, we must pay due attention to the trend for small family residences, the convenience of contact among neighbors and our traditional virtue of respecting our elders and taking care of the young. In addition, the small cities and towns should have adequate cultural and recreational facilities so that the residents may avail themselves of their spiritual and cultural benefits and that the small cities and towns may gradually be developed to typify the socialist spiritual civilization.

Third, we must, in meeting the demands of the technological revolution, strengthen the basic installations and services prior to and following production.

With the general increase in commodity production in the rural areas and the extensive development of the commodity economy following the advent of the new technological revolution, the reform of the rural system and the readjustment of the industrial structure, it has become necessary for us to speed up services prior to and following production while strengthening basic constructions. At present, the poor basic installations, the inadequate public health facilities and the unsatisfactory postal and telecommunications services in most of our small cities and towns are basically unequal to the demands made by the new technological revolution and the development of the commodity economy in the rural areas. A complete social service system is an important element for the development of the commodity economy. The major difference between the commodity economy and the natural economy is that the development of the former requires a series of extrinsic conditions, such as services in the areas of supply, processing, storage, transportation, technology, information, credit loans, etc. Such services, however, are inadequate in our small cities and towns and are incapable of meeting the needs of the developing situation. For this reason, we must take the entire situation into consideration, strengthen the basic installations and supply a complete range of social services.

Fourth, we must vigorously develop the enterprises in the rural areas. The enterprises in the villages and towns are capable of playing a pivotal role in bringing prosperity to the market towns and in promoting the economic development of the rural areas. By developing the enterprises in the villages and towns, it is possible to centralize various types of human, financial and material resources in the market towns. Thus the development of village and township enterprises is in itself a major means for the establishment of market towns. In this sense, the village and township enterprises may be said to furnish a major foundation for the establishment of small cities and towns. Insofar as most of our rural areas are concerned, the village and township enterprises should concern themselves mainly with the processing of subsidiary agricultural products, mining and production of construction materials. Such enterprises would be of benefit to the small cities and towns which have already been established or which are in the process of being established. They would serve to absorb a larger amount of surplus labor in the rural areas, make it possible for the small cities and towns to render better service to agriculture and promote the development of agricultural productive power. At the same time, such enterprises would serve to alter the unreasonable and excessive concentration of industries in the large cities and to bring about gradually a reasonable deployment of productive power in society.

Fifth, we must welcome the new technological revolution and strengthen the establishment of scientific, educational, cultural and public health enterprises in the small cities and towns so that they may gradually evolve from purely commercial and trading entities into a new type of economically, politically and culturally integrated cities and towns and play an even larger role in promoting the development of productive power in society during the new technological revolution.

The rapid development of small cities and towns in the rural areas is the inevitable outcome of the quantum leap in productive power in the rural areas. The small cities and town in the rural areas are brimming with vitality in the midst of the new technological revolution. We must create the necessary conditions, promote vigorously the establishment of small cities and towns and turn them gradually into a new type of tightly concentrated, modernized and socialist cities so that we may further accelerate the development of productive power in our nation.

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ECONOMIC DEVELOPMENT ZONES

ZHANJIANG, BEIHAI, HAINAN AS SPECIAL ZONE DISCUSSED

Guangzhou GANG AO JINGJI [HONG KONG AND MACAO ECONOMIC DIGEST] in Chinese No 10, 25 Oct 85 pp 35-38

[Article by Zhong Yechang [6988 2814 2490] of the Economic Administrative Department of Hainan University: "More About the Development of the 'Silver Delta'"]

[Text] While China is opening to the outside world, some people have proposed that because of the similarity of Zhanjiang, Beihai and Hainan Island in climate, natural resources and some other respects, a study be conducted on the question of combining them to form another open "delta zone" called the "silver delta" as a counterpart to the "golden delta" of Shenzhen, Guangzhou and Zhuhai (See "A Tentative Discussion on the Development of a 'Silver Delta' by Han Yaogen [7281 5069 2704] in our No 2, 1985). The building of an "economic zone" referred to in this article, in my opinion, deserves further discussion for the following reasons.

I. All-Round Economic Cooperation as a Means of Enabling a Zone To Play a More Active Role

An economic zone is the outcome of certain historical conditions and an extremely important aspect of the reform in China's economic structure. Mainly with the help of the central cities and industrial bases, it will resolve the contradictions between higher and lower levels and between different departments or regions, restore the economic ties that have been arbitrarily severed between different regions and departments, arouse their enthusiasm, and thus form an economic network across regional and trade barriers to facilitate production and circulation according to the requirements of large-scale socialized production. All the three coastal economic zones which China has opened to the outside world have a fairly strong economic foundation and economic power, higher scientific, technological and cultural standards, a more developed commodity economy, and fairly long-standing and extensive economic contacts with foreign countries. Furthermore, with their superior geographical and climatic environments, they are serving as the means of China's economic relations with foreign countries and the bases of imports and exports and occupying key positions in introducing investment from abroad and establishing lateral ties at home. Economic zones are, therefore, necessary because of their great strategic significance. In the case of the "silver delta," its economic foundation and economic power alone will seriously handicap its performance in these respects. Since the question of barriers between higher and lower levels and between different departments or regions does not basically arise, how significant would the building of an economic zone be?

Furthermore, from the point of view of the open door policy, Zhangjiang, Beihai and the other coastal cities are different from Hainan Island. As Premier Zhao said, the 14 coastal cities and the four SEZ's, as a solid block, have become the frontier region of an open door China. This arrangement will not only accelerate the economic development of these regions, but also help bring in advanced technologies, popularize the experiences of scientific management, train and supply skilled personnel, support the hinterland and spur on its development. The opening of three coastal economic zones not long ago, also aimed at accelerating economic development along the coast, is also a strategic plan for the economic development of the hinterland. The opening of Hainan Island to the outside workd is, however, not intended for such a purpose.

It is true that Hainan Island, Zhanjiang and Beihai will form the only tropical and subtropical open region with abundant natural resources. However, the abundance of natural resources in the "silver delta" actually belong to Hainan Island in quantity as well as in variety. Because of its abundant natural resources and extremely backward productive forces, the primary purpose of opening Hainan Island to the outside world is the overall development of the island so that it will be able to supply more tropical and subtropical agricultural products to support the four modernizations drive, but not to transfer funds, material equipment and skilled personnel to other places. Such being the case, will the "concrete comprehensive arrangement and coordination" in building the economic zone be able to inspire the participants in improving their performances?

At present, in view of the island's superior resources, an overall plan for the development and construction of Hainan Island, with priority to large-scale agricultural development, has been initially drafted. According to this plan, the island will become the largest producing and processing base of tropical and subtropical scenery; and will have five modern industrial bases mainly for petrochemicals, metallurgy and building materials, light and electronics industries and food. At the same time, in view of Zhanjiang's fine harbor facilities, the goal has also been set for its development whereby industry will occupy the leading position and priority will be given to the exploitation and utilization of petroleum and its role as an entrepot. There will also be bases for energy exploitation, transportation, international trade, ocean fishing and aquaculture, so that Zhanjiang will become an all-purpose harbor city with multiple functions. Furthermore, an office has been set up for overall planning in Beihai and it has been decided that economic zones of 16 sq km and 2.4 sq km will be set up in the vicinity of Beihai's Xingang and in Fangcheng Harbor, respectively.

These plans very objectively reflect the realities and highlight the priorities in each place. In building an economic zone, as emphasized in

Han's article, coordination must be strengthened, such as in the division of work among the harbors, the allocation of resources and so forth, in a spirit of mutual assistance and mutual concession in the joint development so that comprehensive coordination can be carried out. There is nothing wrong with such a theory, although it may not be easy to translate it into practice. Regional planning (which is of course necessary) calls for the expenditure of not only labor, money and materials, but also time. (Will it help Hainan Island catch up with certain economically developed islands in Asia?) Furthermore, there is no guarantee that the fear of being at some disadvantage will not appear as it did in some economic zones. We must realize that the proposed zone, which lies across the boundary between a province and an autonomous region, has no "center."

II. Difficulty of Coordination Without a Central Region

It is quite obvious that only the leading position of a central city could promote the economic development within a zone. In China, it is always the central city which occupies the leading position in an economic zone. For example, Shanghai and Guangzhou are the central cities of the Chang Jiang delta and the Zhu Jiang delta, respectively. Similarly, Beijing and Tianjin will become the central cities of the Shoudu-Bohaiwan economic rim.

Among the three participants in the proposed zone, both Zhanjiang and Beihai are cities under a province and a prefecture (the former being at a prefectural level), whereas Hainan Island is the only administrative district in the country. As the state's local administrative organ, it is higher than a prefecture and lower than a province. Following are the relevant figures for comparison:

	Nonagricultural population (1979, 10,000 persons)	Area (sq km)	GVIO (100 million yuan)	GVIAO (100 million yuan)	Harbor traffic-handling capacity (1983, 10,000 tons)
Zhanjiang	25.42	1,460	10.2*	12.67**	1,200
Beihai	7.05	275	1.57**	2.00*	73
Hainan Island	--	33,920	8.6*	32.78*	628.18
of which:					
Haikou	16.4	222	3.53**	2.54*	109.11

(* and ** show figures for 1983 and 1984 respectively)

According to these figures, Beihai cannot compare favorably with even Haikou, while Zhanjiang, despite its superiority in industry and harbor facilities, cannot play the role of a "center," (not to mention the role of a financial, trade, communications and transportation center) Hainan Island is larger and of a higher level in administration and earlier in opening to the outside world than either of these two cities. However, it belongs to a completely "agricultural society" and is different from the two cities with their "urban economy."

A zone that lies across the boundary between a province and an autonomous region and is "unbalanced" and without a "center" cannot play any "leading" role in a convincing way. All-round cooperation in such a zone can hardly be fruitful. If tourism is to be developed in the "silver delta" as mentioned in Han's article, will it be impossible to follow the example of Shenzhen, Guangzhou and Zhuhai and to possess the value of being unique? We may say that high rises (including those with ("large top roofs") are an important characteristic of modern cities. Let us pause and think: if Taiwan Island, which is only slightly larger than Hainan Island, has, been developed into modern super-city with a population of more than 2 million, it would be unthinkable for Hainan Island to be without a decent city? Furthermore, the unique characteristics of Hainan Island as a "city" of hundreds of km cannot be found everywhere. In China, as we may say, we may find a second Guangzhou, Shenzhen or Guilin, but not a second Hainan Island which is called the "Hawaii of the Orient."

Thus, will the building of an economic zone with funds used under a comprehensive arrangement encourage each of the parties to do its best? This would be doubtful. It is at least true of Hainan Island for the following reason.

III. Hainan Island Always Studies as an Independent Geographical and Economic Entity

As some people have said, no matter how many economic zones will there be in Guangdong, Hainan Island should be an integral economic zone. This view is quite logical, because the Qiongzhou Strait (a geographic line) keeps it isolated in the sea. It is a relatively independent and naturally complete entity and an age-old administrative district; but the key factor in its becoming a special and independent economic zone is its uniqute abundance of natural resources.

On this tropical island whose area accounts for 0.35 percent of the national territory, there are more than 4,200 varieties of plants, about one-seventh of the national total; nearly 1,000 varieties of valuable wild medicinal herbs, about one-fifth of the national total; and more than 800 varieties of trees of the tropical rain forest, one-quarter of the national total. Among the tropical cash crops, the output of natural rubber and coconuts account for more than 70 percent and 97 percent of the national total, respectively. Furthermore, among the precious wild lives, there are 77 kinds of animal, about one-fifth of the national total; and more than 340 kinds of birds, one-quarter of the national total. In its spacious sea area, there are nearly 1,000 varieties of fish on record, more than the sum total in the Huang Hai, the Dong Hai and the Bo Hai. More than 50 types of mineral resources have been discovered. Among these resources (in addition to the highly promising reserves of petroleum and natural gas), the reserve of graphite iron alone accounts for 71 percent of the national reserve of rich iron mines; the titanium ores account for 70 percent of all verified reserves in the country; and the reserves of cobalt (the metal content) and zircon quartz also account for 60 percent of the national total. The reserves of phospate and oil shale rank first and second in Guangdong, respectively, and thousands of tons of quartzite containing more than 98 percent of silicon dioxide can be found in Yangpugang alone.

For the purpose of comparison, we should also mention that Beihai has aquatic products, hydropower, petroleum and small amounts of other minerals as its main resources, but is far behind Hainan Island in these resources. Zhanjian has an abundant output of sugercane, peanuts, pineapples and citrus, but it must not be forgotten that Shenzhen, Zhuhai, Guangzhou, and the two "golden delta" in southern Fujian, which are also opened to the outside world, can give the same performance. Only Hainan Island is "unique."

It is precisely for this reason that for more than 30 years, Hainan Island has been studied and treated as an independent geographic and economic entity. The scope of research in Hainan Island and the amount of time spent on such research, particularly in large-scale agricultural development and in ecological balance, are probably unparalleled in the country. While China is being further opened to the outside world, the research in Hainan Island's economy has again become a "hot topic" among people in theoretical circles. The academic papers on this island are far more than on any other region of the same level. In all these studies, Hainan Island is treated as an integral economic zone (although its relationship with other regions is by no means neglected).

From this, we can see that the establishment of a "silver delta" economic zone is of no great significance. At least, it would be very difficult to impose an "urban economy" on a traditional "agricultural society" in a zone lying across the boundary line between a province and an autonomous region and having no center. However, there is one more aspect to be considered.

IV. The Possibility of Strengthening Relations Without a "Complete Entity"

An economic coordination association comprising five localities (including Guilin and Chongqing) in four provinces (autonomous regions) of the southwest (Yunnan, Guizhou, Sichuan and Guangxi) has been set up in the great southwest. Through regional economic coordination, the key enterprises producing important products were given the leading role in the joint cooperation which helps promote the economic development of the participants. Even without the fanfares of any economic zone or any overall planning, it is still possible for the participants to cooperate fruitfully. This experience is very enlightening.

As for the question of allocating acantha pears and coconut juice, mentioned in Han's article, the form of "introducing investment from abroad and establishing lateral ties at home" is entirely applicable. As for whether an all-out effort should be made to develop oil refining in view of the so called superiority of "southern oil" in the "silver delta," however, the matter is far from so simple, because the comprehensive balance of the national economy and the subordination of local to state interests must be considered. Should the argument be advanced that Hainan Island is now preparing for a vigorous development of its petrochemical industry, such development is not entirely due to its superiority in petroleum and natural gas resources, but also because the state agrees that natural gas in hundreds of billions of cubic meters can be locally processed and used.

Zhanjiang and Beihai have always had close relations with Hainan Island. Zhanjiang in particular has for a long time provided the only road for Hainan Island to contact the mainland, and the construction materials for expediting the development of the island have mostly been transported through Zhanjiang. As long as there is full state coordination and the "introduction of investment from abroad and establishment of lateral ties at home" as well as active economic and technical cooperation among the regions (or enterprises), the economic relations among the two cities and one island can still be strengthened. Extensive connections are an important sign of a modern economy. I cannot possibly imagine that without an "economic zone," the two cities and one island will be entirely unrelated in their development. As long as there are mutual and reciprocal interests, new prospects for economic cooperation will soon be forthcoming.

It should be mentioned that Guangxi and the southwestern provinces should take full advantage of Beihai's opening to the outside world by using it as a common "window." Baihai is a fine natural harbor, and after expansion, its annual traffic-handling capacity will be increased 16 million tons. Fangcheng harbor which is 46 nautical miles away is also a large harbor in southern China, having 7 berths for 10,000-ton vessels and an annual traffic handling capacity of 3.63 million tons. When the Nanning-Fangcheng and Kunming-Fangcheng railways have been completed, another short railway starting from Qinzhou will further enhance its importance. For this reason, the cooperation between Beihai and the great southwest would be more logical and fruitful than the creation of a "silver delta."

At the same time, while carefully attending to the construction of the Zhu Jiang delta and Hainan Island, Guangdong should pay great attention to Zhanjiang's economic construction. It should work out an overall plan, study the strategy of development, carefully streamline the economic relations within and outside the province and form a multilevel economic zone and an economic network in many different forms in order to promote its own comprehensive economic development.

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ECONOMIC PLANNING

GOVERNMENT TO ENCOURAGE PRODUCTION FOR EXPORT

OW111716 Beijing XINHUA in English 1651 GMT 11 Jan 86

[Text] Beijing, 11 Jan (XINHUA)--A senior economic official today told China's state-run enterprises they are encouraged to produce more exports and they should try to eliminate losses this year.

Lu Dong, minister in charge of the State Economic Commission, said today that the government will guarantee supplies of raw materials, energy and transportation for enterprises involved in export production.

Speaking at a national conference on economic work which began here today, Lu said the government will reduce taxes on enterprises' incomes and increase depreciation funds this year to give them more money for needed retooling.

Over half of the enterprises are expected to complete their retooling work by 1990, he said.

In general, according to Lu, China will emphasize development of its nearly 6,000 large and middle-sized industrial enterprises in 1986.

Although the large and middle-sized operations number two percent of the country's total, their fixed assets account for 66 percent and their industrial output accounts for 47 percent, Lu said.

Lu said this year priority will continue to go to development of energy, transportation, postal services, telecommunications and industries that produce raw materials.

He said the government will continue to control the level of capital investment and consumer spending, measures necessary to avoid overheated growth.

At the same time, Lu asked all enterprises in the country to raise their management efficiency and reduce energy consumption.

To meet the demands of the market, he said, enterprises should produce more high-grade and high-quality durable goods.

He said that while continuing to pay sufficient attention to grain production, rural areas should further diversify their economies to provide more meat, eggs, poultry, vegetables and other foods for the cities.

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CSO: 4020/172

ECONOMIC MANAGEMENT

SHANGHAI OVERFULFILLS TAX QUOTA FOR 1985

Beijing RENMIN RIBAO in Chinese 17 Dec 85 p 1

[Article by Wang Hongyang [3076 3163 3152]: [Shanghai Overfulfills Tax Plan for 1985; Over 7,000 Tax Personnel Cited for Meritorious Service"]

[Text] Shanghai, 16 December--By the end of November this year, Shanghai, the largest industrial and commercial city in the whole country, has overfulfilled the tax plan for the whole year by 5.4 percent. This achievement is inseparable from the hard work of the more than 7,000 tax personnel.

This reporter heard a story at the No 16 Wharf, Shanghai's biggest floating gateway, about how a tax worker cracked the "silk cloth mystery" by strategy. In February this year, 50,000 meters of silk cloth valued at more than 200,000 yuan were shipped from Hubei on consignment. As the big bundle of silk cloth was gathering a heap of dust in the wharf's baggage room, nobody had cared to ask about it after several months went by. Gu Cunyuan [7357 1317 0337], chief of the tax inspection station at the wharf who keenly observed the "secret" in the cargo, had asked comrades at the station to keep an eye on this bundle of mysterious silk cloth day and night. Soon after, some one showed up to claim the cargo. After investigation, Gu Cunyuan finally found out that although this batch of silk cloth had remained unclaimed in the baggage room, it had changed owners five times, with the price increasing at each transaction. In their transactions, the cargo owners purposely delayed taking delivery of the silk cloth with the intention of evading state tax. After the whole truth came out, the inspection station levied more than 12,000 yuan in tax according to the law.

In Shanghai, more than 1.6 million travelers come and go each day carrying many industrial products and much farm produce and sideline products in and out. The busy train stations, wharves and airport have become the outposts where the tax personnel and the tax evaders have a test of strength. Be it in severe cold or beastly hot weather, day and night the sharp eyes of the tax personnel are looking for clues which ordinary people cannot detect. From several strings of rabbit hair that stuck to a piece of baggage at the train station, they had detected a rabbit wool peddler; from the bottom of baskets of tax-free fresh eggs carried down from a passenger ship, they found several thousand jin of fresh fish; from numerous air parcel manifests, they discovered more than 43,000 kg of clothing trying to evade tax. They have been guarding the "land, sea and air" gateway to Shanghai for nearly 2 years and recovered more than 3 million yuan in tax for the state.

In thousands of factories, shops and fairs in Shanghai, the tax personnel are carrying out their noble duty with all their heart and all their might. The 57-year-old Liu Zhongyuan [0491 0022 0337] is a special agent of the Shanghai Municipal Tax Bureau assigned to the Shanghai Huatong Switch Factory. This factory has planned to deliver 36 million yuan in tax for profit to the state each year. Since he has assigned to the factory in 1980, Liu Zhongyuan, working from dawn to dusk and braving winds and rains, has found out all about the "family property accumulated over the years" in the factory's 21 warehouses. The amount of tax for profit delivered to the state by the Huatong factory exceeded the set plan by more than 2 million yuan year after year, it also repaid from 700,000 to 800,000 yuan in back taxes for profit. This reporter ran into a group of vigorous young men at the No 3 tax office in Luwan District, Shanghai Municipality. They are a little over 20 years in age, engaged in tax work for 2 or 3 years and they love their work. Luwan District has a woman who sells pork as an individual household but she is very cunning in evading tax. By watching her acts in the market during the day and patrolling the main streets in the neighborhood at night, young special tax agent Zhang Chuanlong [1728 0278 7893] finally discovered on-the-spot the "secret" that she had been doing business outside the market at night for a long time to evade paying state tax. In April, young tax agents Jin Wei [6855 1550] and Qin Yide [4440 5030 1795] found out about an individual household illegally selling clothing at home. This individual household asked a friend to plead for leniency, to which Qin Yide replied solemnly: "This is a state matter that must be handled according to the law of the state." Resolutely he detained the merchandise according to the law and imposed a fine of more than 2,000 yuan for tax payment.

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ECONOMIC MANAGEMENT

PRC TO SET UP NATIONAL FEDERATION OF INDIVIDUAL BUSINESSES

HK100617 Beijing CHINA DAILY in English 10 Jan 86 p 4

[Article by Yang Yi]

[Text] To strengthen the administration of individual businesses, a national federation is to be established this year based on provincial and county associations of such firms. Wang Zhongming, director of the Individual Economy Department of the State Administration for Industry and Commerce, told CHINA DAILY in a recent interview.

The federation is designed to pass on to the government the needs, complaints and difficulties of persons involved in these individual firms and to convey state requirements to the individuals, according to Wang. It also will provide information about sales and production, helping government departments to meet the needs of individual businesses for means of production and raw materials. In addition to safeguarding the rights of individual businesses, the federation will help educate private households about the need to abide by the law and to observe discipline.

Associations of individual businesses have already been established in almost all counties and 23 provinces, Wang said. These, plus the prospective national federation, are under the supervision of the state industry and commerce administrations at their corresponding levels. It is expected such organizations can help where the state administration cannot reach.

China's individual economy has prospered since 1978, when the party's work focus was shifted to economic construction. By November 1985, there were 11,520,000 households licensed to operate as individual businesses in such fields as crafts, transport, small commerce, service trades and catering, the director noted.

In 1978, there were only 140,000 such households in urban areas. (Statistics for rural areas were not compiled.)

By last November, total capital investment in the individual economy was officially listed as 17 billion yuan (about $5.1 billion). But this is believed to be lower than the actual figure because the owners of small businesses tend to declare only part of their assets or business volume in the hope of evading taxes, Wang said.

The rapid growth of the individual economy has caused some problems, according to Wang.

Besides tax evasion, there is some illicit speculation and other illegal activities. Some unlicensed vendors, mostly off-duty government employees, factory workers or youths waiting job assignments, take advantage of holes in the supervision of private traders. Sometimes they foist poor goods onto buyers. Sometimes they force farmers to sell them vegetables at less than cost.

The state departments responsible for overseeing the private economy have too few employees to handle the many small businesses so widely scattered, Wang said.

There are only 6,000 persons assigned to this task throughout the country. In Guangdong Province, for example, each has an average 470 households under his supervision, far above [as published] the state requirement of one each for 50 households. In the northeastern provinces, things are better with each overseeing 100 households.

It is planned to add another 100,000 employees this year, mostly for administration of free markets. Still many repair shops, small food stalls, independent cobblers and harbers will remain beyond the reach of effective state supervision, Wang said.

Much management personnel is unqualified, he said. Some supervisors have only superficial understanding of government policies and others simply adopt a what-I-say-is-law attitude.

It is against this backdrop, that the national federation of individual businesses will be established this year.

For all the problems, Wang said, the individual economy has proved an important supplement to the state and collective-owned economy.

There are six million service sites, including 1.3 million eating houses or food stalls, scattered across the country. They reach areas the state commerce does not cover to cater to people's daily needs.

In promoting the flow of goods, private households also play an important role. The 170,000 trucks and 1.27 million transport tractors owned by individuals handle 40 percent of the country's highway freight for a total volume of 15 billion ton-kilometers.

These private transporters often improve efficiency by adopting simple methods of collecting goods. For example, some prearrange with the farmers or mountain villagers to pile their produce at assigned spots along the highway. They also carry consumer goods to out-of-the-way areas that were once bypassed.

The individual economy also absorbs much of the excess rural workforce and helps solve employment problems in cities, Wang said.

As a result of increased agricultural productivity, fewer farm workers are needed. By the end of 1984, 13 million former farmers had left the land and set up small businesses or turned to other trades such as construction. It is estimated that in the Seventh Five-Year Plan period (1986-90), about 100 million more will leave farming.

In this way, Wang said, the individual economy is hleping to change the pattern of agriculture in China. It is hoped that eventually the amount of land per farmer will increase 100 fold from the present 0.02 hectares to two hectares.

By the third quarter last year, the individual economy absorbed 920,000 young people in cities. Wang added private small businesses increase the state revenue. By the end of 1984, the state had collected 4.2 billion yuan in taxes from private businesses.

The individual economy also stimulates state-owned commerce according to Wang. Generally, individual commerce offers good service, a fact that pressures state-run commerce to change its notorious bureaucrat-merchant style.

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ECONOMIC MANAGEMENT

INVESTIGATION AIMS TO IMPROVE ARBITRATION WORK

OW111700 Beijing XINHUA in English 1515 GMT 11 Jan 86

[Text] Beijing, 11 Jan (XINHUA)--A nationwide investigation of economic contracts will be made this year as part of the effort to improve arbitration work in the field.

Arbitration of contract disputes is becoming increasingly important in China as economic activities escalate, according to Zhou Yaxian, vice-president of the commission for arbitrary disputes arising from the implementation of economic contracts.

Zhou said his commission and its branches handled 63,000 cases involving 10.9 billion yuan (U.S. $3.4 billion) from their establishment in September 1983 through November 1985.

As reforms lessen state regulation and increase market pressures and China becomes more open to business transactions with the outside world, there are more enterprises to sign contracts--and to have disputes, he said.

For example, over 100 million economic contracts were signed last year in China's east coast province of Jiangsu alone, government figures show.

According to Zhou, China has 180 million farming households, 3.6 million industrial and commercial enterprises, 11 million individual enterprises and businesses, and 2,200 businesses jointly owned by Chinese and foreigners.

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INDUSTRIES RAISE EFFICIENCY IN PAST FIVE YEARS

OW131040 Beijing XINHUA in English 1030 GMT 13 Jan 86

[Text] Beijing, 13 Jan (XINHUA)--Industries throughout China have markedly improved their efficiency by increasing output and profit and reducing energy consumption over the past five years, according to a national conference on economic work now in session.

An official of the state economic commission said that China has fundamentally changed the focus of its economic work to consider results as the criteria for judging all economic matters.

Gross industrial output value grew at an average annual rate of 10.6 percent during the last five years. About 50 percent of the increased output value was gained through technical transformation and the management improvement. Energy savings amounted to 120 million tons of standard coal.

The quality of industrial products has also been improved. In the past few years, more than 4,000 new machines were developed and over 500 light industrial goods achieved world standards.

Per capita output in state-run industries came to 14,070 yuan in 1984, a rise of 16.5 percent over 1980. It rose 9.8 percent in the first eleven months of last year.

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ECONOMIC MANAGEMENT

NEW PROBLEMS POSED FOR PLANNED MANAGEMENT SYSTEM REFORM

Beijing JINGJI RIBAO in Chinese 12 Oct 85 p 2

[Article by Xue Muqiao [5641 2550 0294], chairman of the State Council Economic Research Center and director of the State Planning Commission Economic Research Institute: "New Problems for the Reform of the Planned Management System"]

[Text] [Editor's note] China's past planned management system has become unsuited to current economic developments.

The guiding principle of our planned management system reform is to appropriately reduce directive planning, appropriately increase guidance planning and appropriately expand the scope of market regulation. Thus, it has posed new problems:

--How can guidance planning be carried out in order to be able to truly guide enterprises to develop in the direction indicated by state planning and social needs?

--After market regulation is expanded, how can market management be correspondingly improved in order to be able to avoid violations of law and discipline and anarchist conditions?

--Macroeconomic control must be guaranteed and the microeconomy invigorated. How should new methods be used to manage enterprises after they are invigorated? End of editor's note]

China's past planned management system has become unsuited to current economic developments. Old China's economic structure was originally a network, centered in small, medium and large cities. Beginning during the period of the First 5-Year Plan, we studied the Soviet Union planned management system and carried out vertical management divided by industry. Although we also had local planning for all areas, it was "planned" horizontal management and neglected horizontal links. This closed planned management system was contradictory to the needs of open commodity economy development. Horizontal links were essential economically, but were not reflected in planning, and planning for horizontal economic links was not expressed. This planned management system, which did not conform to the objective needs of a commodity economy and large-scale socialized production, inevitably stifled the economy. Before liberation, Hong Kong was economically inferior to Shanghai. But over the past 30-odd years, Hong Kong has developed into the biggest financial, trade and information center in the Far East, while Shanghai has severed its many former domestic economic links, and its international economic position has also declined. It cannot be said that this was unrelated to our irrational planned management system. Of course, it was also related to the past imperialist policy of blockading China and to our long-term adoption of a closed-door policy.

Since the 3d Plenum of the 11th CPC Central Committee, we have begun to change our separate vertical and horizontal economic management system and develop horizontal links which conform to objective economic laws. We are restoring our economic network, centered in small, medium and large cities, encouraging interregional overcoming of shortcomings by learning from others' strong points, mutual aid, mutual benefit and joint development and carrying out an opendoor policy. In order to develop a commodity economy, we must have markets and, in order to develop the role of markets, we must have open markets and absolutely not set up separate vertical and horizontal closed ones. They must be open to the outside world and even more so domestically. A planned commodity economy must have open markets. Comrade Xiao Hua [5135 5478], chairman of the CPPCC Proposals Committee, has correctly said that we are now forming an "economic structure which has an interlocking vertical and horizontal network but takes horizontal links as the dominant factor, i.e., one which combines vertical and horizontal but stresses the horizontal." Our planned management system must conform to this new economic structure. Those totally vertical or horizontal planned management methods will soon be obsolete. The planning system must undergo fundamental reforms.

Our understanding of the relationship between planned management and market regulation has continued to change. Since the 3d Plenum of the 11th CPC Cenral Committee, our understanding of this problem has undergone many years of investigation. In 1980, we pointed out that China's socialist economy was a commodity economy based on public ownership of the means of production and guided by state planning and that our planned management should therefore combine planned and market regulation. The market regulation referred to at that time included two aspects. One was guidance planning, which has to be realized through economic levers, and principally through the law of value and price policy. We said that this combined planned and market regulation. The other was regulation of small commodities which were not in line with state plans, and relied totally on the law of value. Later, theoretical circles debated the wording of "a commodity economy guided by state planning," thinking that guidance planning implied a planned economy and not a commodity economy, and that thus it reduced the scope of market regulation and limited it to only commodity production and circulation which was not in line with state plans. Therefore, we changed the method of expression to say that China's socialist economy was a planned economy, with the planned economy as the dominant factor and market regulation as a supplement. Internationally, this change caused much misunderstanding and the understanding that China's economic system reform was retreating and neglecting the role of market regulation. In fact, our system reform was constantly advancing and, indeed, not retreating. In the past, our planned management stressed only directive planning and neglected guidance planning. The 12th CPC Congress Report pointed out that planned management includes both directive and guidance planning and emphasized, moreover, that not only must guidance planning be realized through the economic levers of prices, tax revenue and credit, but that directive planning must also conscientiously use the law of value. After this, the State Council pointed out the need to reduce the scope of directive planning and expand that of guidance planning. Moreover, the scope of small commodities not in line with state plans was also constantly expanding. China's planning system reform was advancing and, indeed, not retreating.

The resolution of the 3d Plenum of the 12th CPC Central Committee pointed out that China's socialist planned economy is a planned commodity economy, based on public ownership of the means of production, which integrates a planned and a commodity economy. China's commodity economy is a planned commodity economy and, thus, a planned economy that is different from an unplanned capitalist commodity economy, which relies completely on unchecked regulation by the law of value. In practical work, we must stress the role of market regulation, master the use of markets and change closed markets into open ones. This point should be insisted upon. A commodity economy must have markets, which should be open and not closed. Closed markets are unfavorable to commodity circulation and, whether closed vertically or horizontally, will obstruct development of a commodity economy. How to expand open market commodity exchange is a problem in urgent need of solution in our current economic system reform.

Saying that a socialist economy is a planned commodity economy is a major theoretical breakthrough. Prior to the 1950's, the Soviet Union had continuously debated the problem of whether commodities still existed in socialist society. It was not until Stalin's later years that he accepted that socialist society still had commodities. But at the same time, he also said that the exchange between socialist state-run enterprises, in fact, was not commodity exchange. Thus, the planned management system which they designed used product distribution in place of commodity exchange. They used planned distribution of the means of production, and markets to exchange the means of production did not exist. Grades 1, 2 and 3 consumer goods wholesale centers also used planned distribution, and it was not until the retail link that goods were put on commodity exchange markets. From the 1950's to the 1970's, China also continued to use this system. The reason for this, in addition to our having learned it from the Soviet Union, was also that our planning strove for high speed, causing both the means of production and consumer goods to be in very short supply, and that we had to use planned distribution. Because our economic regulation work has been successful since the 3d Plenum of the 11th CPC Central Committee, our present consumer goods supply has become increasingly abundant and we have been able to abolish the rationed supply system. Thus, a breakthrough has been made in the planned distribution system of grades 1, 2 and 3 wholesale centers, and commodity exchange markets of multichannel state-run, collective and individual management have developed. All cities are building trade centers of all forms and carrying out transindustrial and transregional horizontal commodity exchange.

Since our fixed-asset investment has exceeded state plans year after year, our means of production are still in fairly short supply and we must continue to use the planned distribution system. But planned supply has become increasingly unable to satisfy needs, negotiated purchase and sale have also had to be used as a supplement and, in fact, extra-plan commodity exchange of the means of production has appeared. At present, the scope of planned supply is gradually being reduced, with that of coal being only roughly 50 percent, steel products only 60 percent, lumber only 40 percent and cement only 25 percent and, in fact, a lot of market regulation has appeared. But since business markets for the means of production have not been officially established (a few cities are experimenting with them), this kind of commodity exchange has suffered from obstructions, resulting in overstocking and overaccumulating of goods and materials by many enterprises and great disparities between high and low negotiated prices. If business markets for the means of production are widely established, goods and materials stocked and accumulated by enterprises can move onto markets for mutual exchange, the short supply condition of the means of production can be greatly alleviated and negotiated prices can also fall to a more rational level. Thus, I suggest that goods and materials supply departments try out two goods and materials management methods, one being to carry out planned supply based on planned prices, and the other to establish extra-plan business markets for the means of production and to carry out negotiated purchase and sale. At present, we must carry out a policy of combined regulation and liberalization for planned distribution prices of such means of production as coal and steel products. Planned prices must be adjusted gradually. For extra-plan exchange, we must relax price management and carry out negotiated purchase and sale. We must also not take a laissez-faire attitude toward the negotiated purchase and sale sector. We should widely establish negotiated purchase and sale markets in which goods and materials departments can play a market regulation role.

At present, the guiding principle behind reform of the planned management system is to appropriately reduce directive planning, appropriately increase guidance planning and appropriately expand the scope of market regulation. This guiding ideology is undoubtedly correct. Thus, it has posed new problems. How can guidance planning be carried out so as to truly guide enteprises to develop in the direction indicated by state planning and social needs? After market regulation is expanded, how can market management be correspondingly improved in order to avoid violations of law and discipline and anarchic conditions? The success of guidance planning must rely on economic levers, the law of value in particular. We must gradually master and use the spontaneous, regulatory role of the law of value.

Under the conditions of the relative reduction of state financial responsibility for capital construction allocation and the constant expansion of bank loans for fixed-asset investment, controlling bank loans has become an important way to control the scope of fixed-asset investment. In 1984, China founded a central bank (still called the China People's Bank). Its major duties should be to control the amount of currency issued, control fixed-asset loans and avoid credit expansion. In the past, inflation always stemmed from financial deficits. At present, unrestricted bank loans could become another major cause of inflation. China's banking system has not yet been fully established and the central bank has still not fully developed its restrictive role. In addition to controlling the total amount of loans, the central bank must also guide all specialized banks to use loans for the most essential aspects and guide the national economy to develop in the direction indicated by state plans.

Tax revenue, of course, is also an important economic lever. Since carrying out the second stage of reform, substituting taxes for profits, we have sought to use product taxes to alleviate the contradictions caused by irrational prices. Product taxes can only temporarily alleviate contradictions, but cannot basically solve the contradictions caused by irrational prices. Therefore, tax rates and price modifications must be closely coordinated. Much work remains to be done in order to develop the regulatory role of tax revenue. We must similarly strive to learn in this area.

At present, our economic structure is developing from vertical links toward horizontal links between regions and industries, and our planning work must correspondingly keep pace. Since the 12th CPC Congress proposed quadrupling the GVIAO within two decades, many regions and even various industries within regions have been out of touch with each other, have not planned or cooperated with each other and have made their own plans for quadrupling. I have made repeated appeals that quadrupling must be uniformly planned throughout China. This is a very difficult new task of planning work. Recently, several provinces and municipalities have held economic strategy development conferences. At two such conferences, I made the appeal that strategy should be based in one's own province and municipality and be geared to the needs of the whole country and even the whole world. In order to enable interregional horizontal cooperation to develop faster, to be more rational and to achieve the best economic results, we should carry out national coordination. But this coordination is very complex. Therefore, based on separation of political and business functions, all CPC Central Committee and State Council departments should do a good job of planning and coordinating all industries and then, based on this, carry out national planning and coordination. In addition to national coordination, we can also build such regional economic cooperation as the Greater Shanghai Economic Cooperation Zone (including southern Jiangsu and Zhejiang's Hangzhou, Jiaxing, and Ningbo), which is being prepared to be established; the Southwest Economic Cooperation Zone, centered in Chongqing; and the Zhu Jiang Delta Economic Cooperation Zone, centered in Guangzhou. At the Shandong Economic Development Strategy Conference, I also suggested the establishment of the Bohai Bay Economic Cooperation Zone. Through fairly relaxed forms of economic cooperation, a horizontal planned management system will gradually be formed. This matter is beginning to be placed on our agenda.

In summary, our planned management system must be changed. Macroeconomic control must be guaranteed and the microeconomy invigorated. Everyone's thinking on this point has been unanimous. At present, the new problem which is posed for us is how we should use new methods to manage enterprises after they are invigorated. Of course, this management should not resume the ordered planning which has been reduced, but must use new methods, such as planning, coordinating and providing information. The key is to stress two aspects, one being the need to be good at using economic levers, and the other the need to improve horizontal economic coordination. This is a new problem which must be studied from the very beginning. In addition, our management must also be carried out according to national laws and decrees. For instance, we must strictly prevent activities which clash with state planning and reform work, such as violating state stipulations, arbitrarily raising prices and arbitrarily issuing bonuses, subsidies and various material incentives. This management will have a very strong political nature. Overmanagement could stifle the economy and overliberalization could create market disorder. Thus, we must improve our economic legislation, strengthen our law-enforcement organizations (such as industrial and commercial management offices), raise the political and ideological levels of our cadres, learn from the good example set by the resolution of the 3d Plenum of the 12th CPC Central Committee, grasp its essence and make this management follow and not violate our economic system reform direction. Of course, in addition to industrial and commercial offices, such departments as pricing and personnel bureaus should all improve their management, and industrial, youth and women's groups can also be organized to carry out mass surveillance.

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ECONOMIC MANAGEMENT

BETTER QUALITY CONTROL NEEDED IN COLLECTIVE ENTERPRISES

Beijing JINGJI RIBAO in Chinese 23 Oct 85 pp 1,2

[Article by Zhu Rongji [2612 6954 1015], deputy director of the State Economic Commission General Bureau: "Quality Control in Collective Enterprises Must Be Improved"]

[Text] During a recent investigation in such places as Chengdu and Shanghai, we discovered that the problem of inferior product quality was quite serious in some collectively owned enterprises (such as rural and township enterprises, joint-run commercial enterprises, urban neighborhood enterprises, campus workshops, state-run enterprises, intellectual youth sites and labor service companies).

According to tests by the Chengdu Electric Welder Research Institute, 37 of 40 products produced by 13 electric welder plants in Chengdu City were substandard. Of these, in addition to 1 of 4 tested products produced by a state-run enterprise (The Chengdu Electric Welder Plant) being substandard, all of the 36 tested products produced by the other 12 collective enterprises (mostly rural and township enterprises) were substandard. These collective enterprises have had very wrong management ideas, have manufactured in a rough and slipshod way, have done shoddy work and have used inferior materials, falsified nameplates and have produced products of very poor quality, safety, reliability and performance. For instance, the Emei Machine Plant has violated electrical equipment insulation protection stipulations and used plywood instead of aluminum plates to make electric welder casings which emit black smoke after 2 hours of electrical testing. Three plants have actually continued to produce obsolete products, whose production had been explicitly prohibited by the state long ago. Even though these products are of such inferior quality, they have still been able, for a variety of reasons, to be produced and sold in large numbers, and 4,643 of them, constituting approximately 6 percent of the total output of electric welders throughout China, were produced during 1984 alone.

Shanghai Municipality now has the following five kinds of enterprises with very poor quality control: 1) collective enterprises, which are the responsibility of the Collective Enterprise Office; 2) rural and township enterprises, which are the responsibility of the Agricultural Machinery Industry Bureau; 3) labor service companies and intellectual youth collective enterprises, which are managed within the various industrial bureaus; 4) commercial enterprises;

5) enterprises which are jointly run by the municipal commercial system and other parts of China. According to recent Shanghai Municipality tests of less known and inferior brand television sets, which are marked with the words "Shanghai, China," most of these products are produced by certain "jointly run plants" which do not have the production qualifications. For instance, eight of nine Shanghai Municipality jointly run television set plants in the southern Jiangsu area are commune- and village-run plants, which basically do not have the production technology qualifications. A Shanghai plant which produces marine diesel engines, joined, in its capacity as a plant labor service company, with a Wuxi instrument plant in 1984, purchased inferior components in the Chang Jiang-Zhejiang area and produced over 1,400 "New China Brand" television sets. The first lot was sold in Jiangxi Province, but consumers strongly opposed their poor quality and, one after another, demanded that they be returned.

Judging by the many letters received from people during a recent period, the problem of product quality in collective enterprises does not exist only in such places as Chengdu and Shanghai and absolutely does not simply involve a few products, such as electric welders and television sets, but is quite common throughout China. If it is not solved conscientiously and goes unchecked, it may develop into a serious social problem and shake the people's sense of confidence in our industrial products. While continuing to pay close attention to making general investigations of product quality in state-run enterprises, economic commissions at all levels must conscientiously improve quality control and supervision of collective enterprises and private households. This will not only ensure the successful accomplishment of the four modernizations and safeguard the interests of the state and the masses of consumers, but will also promote the healthy development of these enterprises.

How can quality control in collective enterprises be improved? Opinions from various quarters can be summed up in the following five points:

1. Units In Charge of Collective Enterprise Work Must Set up Quality Control Organizations, or Appoint Someone To Be in Charge of Quality Control and Supervision; Enterprises Themselves Should Also Have Special Organizations or Someone To Be in Charge of Quality Inspection and Control

All enterprises, no matter what products they produce, must observe definite standards and live up to specified quality requirements. Those producing state-standardized products should observe state standards; those producing products which do not have state standards, but which have special standards, should observe special standards; those producing products which have neither state nor special standards, should still observe enterprise standards approved by their responsible units and carry out production and product examination strictly according to standards. The State Economic Commission Standardization Bureau is responsible for inspecting and supervising this. Collective enterprises must also firmly carry out the "five-prohibition" principle and be responsible for "three guarantees" of the products which they have produced.

2. Quality Control for Trade-Classified Products Should Be Carried Out for Collective Enterprises

All collective enterprises, regardless of their subordinate relations, must be subject to state product quality control. Since collective enterprises and the departments in charge of their work now generally lack the essential standardization, calculation and inspection methods, it is very difficult for state control to be implemented fully. This task must be accepted by each classified industrial department. Each trade-classified management department is responsible for formulating trade development plans and policies and guiding its trade's product production, and each also has quality-inspection organizations and quite good inspection methods and technical forces. Thus, each has the responsibility and obligation to carry out its own quality control for trade-classified products (not only of state-run enterprise products, but also of collective and private enterprise products). This classified control will not change enterprise subordinate relaitons, nor will it interfere with enterprise production, supply, marketing, personnel or property, but will be unified product quality inspection, control and guidance, in order to change the past situation of departments controlling only state-run enterprises and "large collectives" and not collective enterprises and private households. The first step can be taken with the products produced by both state-run and collective enterprises. Problems discovered through inspections should be strictly handled by governments at all levels, departments responsible for collective enterprise work and industrial and commercial administrative departments. The State Economic Commission Quality Control Bureau should organize quarterly state-authorized "state quality-control tests," which must also include collective enterprises.

3. A Checkup and Reorganization Should Be Carried out of Collective Enterprises That Produce Important Means of Production and Consumer Products Which Are in Short Market Supply and Great Demand

Through checkups, enterprises which do not have the basic production qualifications, the minimum technical equipment and inspection methods and standard product quality, and which have inferior product quality, should be ordered to close down and stop or transform production; concerned and responsible people who violate the law and discipline should be strictly dealt with according to law. Recently in Wuxi, Jiangsu, such units as the municipal economic commission, the electronics bureau and the industrial and commercial bureau, cooperated closely under municipal government leadership to check up on the city's 86 television set assembly plants. Through product tests and production qualification exaamination, they resolutely closed 70 production plants which had very poor qualifications. This method of work is correct and essential.

4. The Opening for Business of Collective Enterprises and, Particularly, Processing Enterprises, Must Be Examined Conscientiously and Strictly Checked

At present, business licenses are being issued without strict examination of industrial enterprises, resulting in the legal opening for business of many enterprises which do not have the basic production technology qualifications. Not only has this caused a lot of inferior product quality, but it has also caused unrestricted production and duplicate construction and aggravated our irrational production distribution and economic structure. From now on, when examining collective enterprises which apply to open for business, industrial and commercial administrative departments in all areas should solicit opinions from trade-classified industrial management departments and confirm that these enterprises conform to trade development plans and have production technology qualifications and standard product quality before approving their opening for business.

5. Guidance and Support in the Area of Improving Product Quality Should Be Improved for Collective Enterprises

Economic commissions at all levels, trade-classified departments and standards-measurement departments, in addition to having to inspect and control the product quality of collective enterprises, must also take the initiative to provide them with information, such as product technology standards and technical information, help them make diagnoses, and accept such tasks as giving them technical advice and mesurement inspections. These departments must be good at organizing scientific research design units, colleges and universities, large and medium-sized state-run enterprises and "large collective" enterprises to improve their product design, transfer their technical achievements, improve their production technology, renew their technical equipment and improve their management and administration. Recently Sichuan Province, when reorganizing Chengdu's electric welder production, asked the Chengdu Electric Welder Research Institute and the Chengdu Electric Welder Plant to provide technical aid to collective enterprises, in order to help them produce quality products. This method of work is very good.

The above-mentioned tasks, which are both very important and urgent and also quite complex and difficult, will require us to indulge in less idle talk, be more practical and realistic and solve each concrete problem in a down-to-earth manner, in order to enable product quality of collective enterprises to improve greatly and as quickly as possible.

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ECONOMIC MANAGEMENT

SICHUAN'S ECONOMY INVIGORATED THROUGH REFORM

Chengdu SICHUAN RIBAO in Chinese 25 Oct 85 p 1

[Article by Niu Po [3662 3124]: "Reform Brings Vitality to Sichuan's Economy; Production Increases Steadily, Economy Develops Proportionately, Urban and Rural Markets Flourish, Financial Revenue Increases"]

[Text] The reform of the economic system in Sichuan, with cities as the key, is developing healthily. Production is increasing steadily and the economy is developing proportionately; the rural production structure has been newly readjusted; the urban and rural markets are flourishing, financial revenue and savings of urban and residents have increased, departments concerned are adopting measures to solve problems that crop up in economic life.

Many factories in Sichuan have introduced the factory manager responsibility system, reform of the cadre system, personnel system and labor and wage systems in enterprises are also being carried out at the same time. The delegation of authority to the lower level by enterprises under the province has basically been completed, mandatory plans in industrial production have been cut by nearly one-half over last year while guidance plans have increased considerably. Sichuan's total output value from January to September this year increased by 20.3 percent over the same period last year. Products that registered a marked increase were: automobiles, 2.3-fold; TV sets, 57 percent; taperecorders, 46.9 percent; washing machines, 42.5 percent; refrigerators, 10-fold; motorcycles, 1.1-fold; and beer, 63 percent.

The ratio between agriculture, light and heavy industries in Sichuan is gradually becoming rational after readjustment. While the investment in productive construction increased steadily, investment in nonproductive construction projects has also increased considerably, with housing, public utilities and cultural facilities for residents having also improved to a certain extent. The urban and rural markets are thriving with brisk buying and selling. Sichuan's commerce purchased 9.8 percent more from January to September than in the same period last year, of which the purchase of industrial products rose 19.5 percent. Sichuan's total value of retail sales rose by 21.8 percent over the same period last year, country fair trade increasing 26.5 percent.

Commodity economy has developed further in Sichuan following the initial readjustment of the rural production structure. Although a poor grain harvest may be expected this year, rural income will increase. Animal husbandry, the fruit industry and rural and township enterprises in Sichuan have been further developed, industrial crops have also increased considerably, of which oil-bearing crops are expected to increase more than 30 percent, oranges and tangerines more than 10 percent, cured tobacco about 20 percent, hogs slaughtered are expected to increase by 5 million head, the output value of rural and township enterprises is expected to increase by more than 40 percent.

Increases were also registered in Sichuan's financial revenue and savings of urban and rural residents. Sichuan's financial revenue from January to September rose 24.24 percent over the same period last year, which was higher than the province's industrial growth. The savings of urban and rural residents from January to September increased 40.5 percent over the same period last year, of which the cities reported an increase of 41.5 percent and the countryside an increase of 17.9 percent.

While the situation is excellent, certain problems have remained, various departments concerned are taking positive measures to solve them.

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THREE PROBLEMS CONCERNING REFORM OF KEY CITIES

Beijing LIAOWANG ZHOUKAN [OUTLOOK WEEKLY] in Chinese No 44, 4 Nov 85 pp 9-11

[Interview with Liao Bokang [1675 0130 1660], Secretary of the Chongqing Party Committee, by Chen Ming [7115 2492] and He Yubai [0149 3768 2672]; date and place not given]

[Text] In the reform of our economic system, Chongqing is the first testing point for instituting the overall reform of the economic system and the first large city to adopt a provincial-level plan. Because of its special status, the city has created widespread interest domestically. How well has this city done in bringing about reforms during the past 2 years? What understanding have the people in Chongqing acquired from their experience in engaging seriously in the reform of the city? With these questions in mind, the reporters arranged a special interview with Comrade Liao Bokang, secretary of the Chongqing party committee.

First Group of Crab Eaters Develops Taste for Delicacy

"It was Lu Xun [7627 6598] who said that it would take some courage for the first person to eat crabs. We have 12 million crab eaters in Chongqing and the crab in question is the reform of Chongqing's economic system." It was in this lighthearted vein that Comrade Liao Bokang prefaced his remarks. He said that although Communist Party members had moved into the cities over 30 years ago, nobody could lay claim to being experts in urban reform. In order to explore ways and means to bring about such reforms, the CPC Central Committee in 1983 selected Chongqing as the testing ground for the introduction of reforms. Thus, the people of Chongqing became the first group of "crab eaters."

The chief mission of Chongqing as a testing ground for reforms is the development of the key role played by the city and especially the discovery of a way by which the large and medium-sized cities can fulfill their role in organizing the economy. That, in fact, poses a challenge to the old economic system which, like a rope, securely tied up the productive power of the cities. The difficulty of breaking through the old system and of unleashing the productive power of the cities can easily be imagined. Chongqing is a large comprehensive city with extensive economic activities and an intricate pattern of economic relations. To enable it to deal with its economic relations and to perform its functions as a testing ground, the CPC Central Committee and the province created the necessary conditions for Chongqing by drawing up an exclusive plan for the city, by giving it the power of economic control on the provincial level and by placing enterprises subordinate to the province and certain enterprises subordinate to ministries under the city's jurisdiction.

After having been granted autonomous powers, Chongqing proceeded to conduct experiments in three different areas. First, it brought about the reform of small setups throughout the city to alter the longstanding practice of eating out of two big pots, so as to invigorate the enterprises.

Second, it established a trade center so as to facilitate circulation of commodities. The 118 trade centers of various types which have so far been set up have played a positive role in promoting production and bringing prosperity to the marketplace.

Third, it sought to develop fully the composite role played by cities. In this connection, it put forward the proposal that "public vehicles" in the southwest should be properly developed. In April of this year, it served as host in convening the second meeting for economic cooperation of the "four provinces and autonomous regions and five localities" in the southwest. At the meeting, the guiding principles put forward by Chongqing regarding the need for "self-reliance, unification of the various quarters, state support and joint efforts to promote development" were well received by the State Council. Chongqing is now engaged extensively in projects of cooperation with four provinces and autonomous regions in the southwest.

It now appears that Chongqing has put its finger in the right spot in all these areas. What are the results? "One of the results," replied Liao Bokang, "is that city's economic results have greatly improved." Taking financial receipts as an example, he pointed out that during the 4 years prior to the comprehensive reform in Chongqing, financial receipts made hardly any gains, averaging a net annual increase of only some 19 million yuan. In the 2 years following the comprehensive reform, financial receipts increased at the surprising average annual rate of over 98 million yuan. Financial receipts for the first 8 months of this year showed a net increase of over 295 million yuan, the highest rate of increase in the nation. At that point, Liao Bokang said with a tone of conviction, "It can be seen that the crab of comprehensive reform is good to the tast. However, tasty as it is, the crab has a hard shell. Many problems remain. We have learned from our experience that to invigorate the economy of the city, we must invigorate the enterprises and that to invigorate the enterprises, we must invigorate the marketplace. The invigoration of the marketplace not only calls for the invigoration of commodity circulation but also the establishment of a flawless market system. That calls not only for a more or less flawless consumer goods market, but also a market for the means of production, science and technology, labor and, in particular, a financial market that provides for flexible financial accomodation."

Liao Bokang is of the opinion that it is extremely difficult to establish a market system. Although Chongqing has made some headway in this area, the establishment of a financial market is beset with difficulties. Without a flexible financial market, it would not be possible to invigorate the market or the economy of the city. For this reason, we must invigorate the financial system if the key cities are to play their full role. The existing financial system, however, is a partitioned one. The banks in the various areas have no means by which to accomodate one another financially. Those who do business away from home have to load themselves up with 10-yuan notes strapped to their waist. How this situation evolved is a matter that calls for deep thinking. Lenin had occasion to compare a bank to an extremely ingenious machine. If the banking machine is out of order, the role that is played by a key city is bound to be adversely affected.

"Letting the Bull Out of the Well"

To release the productive power of a city, we must make an accurate assessment of its economic power. Liao Bokang likened the economic power of a city to a large and mighty bull. Under the old system, the large bull was cooped up in a well and, powerful as it might be, had no means of freeing itself. If the large bull is to put its strength to good use, it must be allowed to jump out of the well as represented by the old system. In other words, the economic activities of a city must be freed from the limitations imposed by administrative levels and administrative divisions. It was for this reason that special plans were made exclusively for several large cities. Liao Bokang explained that the purpose of making exceptions to the plan was not to add a few more "Beijings, Tianjins and Shanghais," because "Beijing, Tianjin and Shanghai" are municipalities directly under the jurisdiction of the central government and their economic and administrative management levels are not entirely separated.

Actually, this is the third time that a plan has been made exclusively for Chongqing. One was made in the 1950's and another in the 1960's. Due to the fact that the idea of developing the socialist planned commodity economy had yet to be accepted, there was no way to demonstrate the merits of exclusive planning. This time, however, the whole Communist Party, after having put the emphasis of its work on economic construction to meet the demands for the development of a planned commodity economy, has made the exclusive planning for a few large cities a major reform measure to unleash the productive power of the cities and to permit the key cities to play their roles to the full. There is, therefore, a vast difference between this plan and the two previous plans. According to this exclusive plan, letting the large bull out of the well is a must. Our experience in Chongqing indicates that the granting of power of economic control on the provincial level to the key cities will have far-reaching effects insofar as the reform of our economic system is concerned. Liao Bokang emphasized that for a city the size of Chongqing -- a city that is still under the jurisdiction of the provincial government and for which exclusive planning has been made -- to be turned into a unit with a larger measure of economic autonomy for planning, is a matter whose significance cannot be overestimated.

Vast changes have taken place in recent years in the economic activities in Chongqing. On the one hand, as a city under the jurisdiction of a province, it must continue to engage in various economic activities within the province. On the other, such activities, which used to be pursued through administrative relations, must now be brought about through the exchange of commodities in order to deep pace with the development of the commodity economy.

Furthermore, Chongqing has also made use of its exclusive planning status to study ways and means to develop lateral economic relations among different regions. For instance, at the meeting of "the four provinces and autonomous regions and the five localities" in the southwest, Chongqing concluded agreements with the four provinces and autonomous regions for over 1,000 cooperative projects not included in the directive plan or the guidance plan of the state and which were not the results of market readjustments. Nevertheless, these cooperative projects are being carried out systematically according to a plan and with a purpose. Is that a new pattern for the development of a planned commodity economy? Liao Bokang is of the view that it is at least something worthy of experimentation.

Liao Bokang also stated that the socialist economy must have an overall balance, a balance not only between the departments and within the regions, but also a balance between the departments and between the regions. Where does the balance point or junction point fall? It can only fall in the cities. Doubtlessly, the use of the exclusive plan helps to develop the functions of the balance point or junction point of the cities. Chongqing has suffered enough from the consequence of being cast into a well. Now that the bull is being liberated from the well, it can be said to be full of beans and ready to show its mettle. At that point, Liao Bokang gave a smile of gratification. To substantiate what he had to say, he added that experience during the last 2 years pointed to this fact: If the governments at various levels were to exercise indirect instead of direct control over the enterprises and better use were made of the economic and legal means, then the productive power of the cities would be further unleashed and the pace of the reform of the economic system would be greatly accelerated.

"Raising Chickens for Laying Eggs" Also Applies to Cities

Turning to the need to strengthen the power of radiation and attraction of the cities, Liao Bokang expressed the view that in the process of developing the commodity economy according to a plan, an enterprise must have a number of hot-selling products if it is to survive. In the same way, a city must have a number of key enterprises if it is to have real power and a nation must have a number of key cities with abundant economic resources which are capable of performing a veriety of functions to serve as a mainstay of the entire national economy and to provide impetus to the development of the surrounding regions in order to establish a community of cities formed by large, medium-sized and small cities if they are to achieve modernization on a nationwide scale.

Liao Bokang also elaborated on his personal views regarding the actual situation in Sichuan. Why has the province, known as "the land of heavenly abundance," not been able to develop as rapidly as certain other provinces and cities? One major reason, he said, is the absence of a community of interrelated cities. Taking Jiangsu as an example, a small region is formed by Nanjing, Zhenjiang, and Yangzhou. Another small regions is formed by Suzhou, Wuxi and Changzhou. Both of these regions are being rapidly developed economically. There are, however, no such cities in the entire eastern part of Sichuan and the area within a 500-li circumference around Chongqing which, consequently, stands in isolation and without support. Liao Bokang reiterated that, far from wishing to continue to stand alone, Chongqing fervently hopes that medium-sized and small cities would develop rapidly so that they could form a network of cities.

In reply to the question put by the reporters as to how this aspiration could be achieved, Liao Bokang expressed the opinion that use should be made of the development of key cities to spur on the development of the surrounding medium-sized and small cities, that support should be given to the rich to aid the poor but that aid should not be given the poor by oppressing the rich. Unless this principle is accepted, nothing can be developed and a number of impoverished partners will be left to gaze at each other in dismay. Despite its size, Chongqing is poor. It is only just beginning to come to life. We often talk about "raising chickens for laying eggs." It is only when "chickens" are raised properly that they can be expected to produce. Doesn't this truth apply equally to cities? This is a problem that merits serious consideration and study.

Finally, Liao Bokang enlarged on the significance of experimenting with reforms. If we are to continue to introduce reforms, he said, we must continue to engage in experiments. As everybody knows, the leadership comrades in the party Central Committee have again and again emphasized thar reforms must take precedence over all other tasks and that we must hold firm to our resolve and exercise caution in going about our task. That, he said, goes to show the necessity as well as the complexity of reforms. According to what he had learned from his experience during the past 2 years, he was convinced of the need to proceed with caution and to continue to engage in experiments and that reforms are attended by unknown factors and certain risks. The purpose of experimentation, he said, is to gain experience, to learn from our experience and to reduce the number of detours.

At the conclusion of the interview, Liao Bokang stated with confidence that, although the reforms are encountering certain difficulties, the party Central Committee is firm in its determination, that the masses are united as one in their desire for reforms, and that the nation's political and economic situation is most favorable. We in Chongqing are prepared to continue to feed on the crab.

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ECONOMIC MANAGEMENT

MANAGEMENT, ADMINISTRATIVE TYPE PUBLIC FINANCE DISCUSSED

Kunming JINGJI WENTI TANSUO [PROBING ECONOMIC QUESTIONS] in Chinese No 9, 1985 pp 37-39

[Article by Zou Chuanjiao [6760 0278 2403]: "On Public Finance of a Management and Administrative Type"]

[Text] Public finance of a management and administrative type was proposed by the Central Committee to deal with the exclusive concern about finance which exists, to a great extent, in present public finance departments, i.e., the one-sidedness of talking about finance in isolation and being bogged down all day long in handling financial revenue and expenditure. From the perspective of China's current practice, public finance departments should not become reception and circulation departments for bank notes, but must learn such money-management methods as producing, accumulating and using money and must become state management and administrative departments. Theoretically, this is a major revelation in understanding the state public finance function and, in practice, forms an important basis for the carrying out of our financial system reforms.

1. State financial distribution is macroeconomic management. Public finance management and administrative type refers to the objective role played by state finance in the unified planning, regulating, controlling, organizing and directing of overall national economic activity through the process of distributing social products and national income. It is an objective requirement for the state in realizing its functions.

Our past stressing of only the two basic public finance functions of raising and supplying funds and neglecting of those of regulating balances and supervising was quite one-sided. Therefore, in the actual organization of financial distribution, our turning of public finance departments into reception and circulation departments, for bank notes and neglecting of macroscopic regulation and supervision of financial distribution for the whole national economy was unable to turn public finance departments into state management and administrative departments to manage the national economy. This was caused mainly by our incorrect understanding of the public finance function.

Regarding financial distribution as macroscopic management or saying that it has the function of managing the national economy, i.e., planning, controlling, regulating, supervising and directing it, is determined by the socialist economic system and the state's functions. We know that state finance is a distribution and redistribution of the total social product and national income, taking state power as the dominate factor, which is carried out by the state in order to realize its functions and relying on its political power. China is a socialist state established on the basis of public ownership of the means of production. It not only has the function of suppressing revolts by class enemies, preventing aggressions and subversive activity by foreign enemies and ensuring that all the people can work peacefully, but also that of organizing and leading economic and cultural construction.

Based on many years of practical experience, the major economic management functions of government organizations should include: formulating economic and social development strategy and planning principles and policies; formulating laws for natural resource exploitation, technological transformation, and intellectual development; coordinating development plans for the economic links between regions, departments and enterprises; establishing construction of key projects, particularly in the energy, communications and raw materials industries; collecting and spreading economic information and mastering and using economic regulation measures; formulating, supervising and executing economic laws and regulations; appointing and dismissing cadres according to stipulated limits; managing foreign economic and technical exchange and cooperation. This points out the direction and provides the basis for us to study public finance of a management and administrative type. Public finance is the distribution and redistribution of social products in order to realize the state's functions and also, naturally, can only be macroeconomic management and administration. Of course, the public department is one of the government's major functional departments and its functions are determined by the state's nature and functions. I think that the state's need for public finance includes the following two aspects: first, it needs public finance to participate in the distribution and accumulation of appropriate shares of the social product and national income and to ensure funds needed for the operation of the state apparatus and the rapid development of socialist economic and cultural construction; second, in the process of distributing social products and national income, it needs public finance to reflect, restrict, regulate balances of and supervise all national economic activity through revenue and expenditure and to promote the continuous development of socialist productive relations and superstructure.

Therefore, Premier Zhao Ziyang pointed out emphatically in his recent government work report, "Current Economic Conditions and Economic System Reform," that "All economic management departments, and especially economic synthesis, supervision and inspection departments, must improve their study of macroeconomic conditions and economic regulations measures, do a good job of essential balance coordination and regulation work, take strict precautions against major run away economic activity and ensure that major economic reform errors not occur, or that if some minor ones do, that they can be corrected promptly. Public finance, banking, auditing, tax collection, customs, pricing, statistical, industrial and commercial management and administrative departments must all fulfill their duties conscientiously." I think that this is a substantive direction that public finance departments should become state management and administrative departments and state functional departments to carry out macroscopic control, direction, organization, regulation and supervision of overall national economic activity.

2. Macroeconomic management is a objective, inherent function of state financial distribution.

We know that state financial distribution has the characteristics of being mandatory and gratuitous and that it is distribution carried out on a concentrated nationwide scale. Financial distribution hold the guiding position in national income distribution. It is the state's general center for organizing, controlling and regulating national income distribution in a planned way. Approximately one-third of national income is distributed directly through public finance. Although two-thirds of it is not distributed directly public finance, it is distributed through such forms as wages, prices and credit, which must all utlimately reflect state financial distribution directly or indirectly and be restricted by public financial distribution. Moreover, from the perspective of public financial participation in national income distribution, most social net income under the socialist system is accumulated and distributed through state finance. Relevant urban statistics show that 85 percent of state-run enterprise net income is distributed through state finance.

Net income accumulated by state finance is redistributed throughout the country in order to satisfy all nonmaterial production department development needs and ensure socialist expanded reproduction needs. Socialist financial distribution extensively permeates the field of production and becomes a major factor finance funds throughout the country directly affects accumulation and consumption, and the respective internal proportional relations between accumulation and consumption restrict all national economic development proportional relations. This is because, in fact, distribution relations under the socialist system occur directly or indirectly between state finance and nearly all materials and nonmaterial production units.

As to state-run enterprises, the formation of enterprise production funds and the distribution of production management results are both carried out with the participation of public finance; the collective economy must also pay taxes to the state, while the state gives it corresponding support; culture, education, science and health are also run mainly through public financial allocation; all national defense management and administrative expenditures are provided by public finance. Therefore, proportion changes in public finance revenue and expenditure objectively have a direct regulatory effect on all economic activity. In addition, while state finance participates in the economic activity of all departments of the national economy and all economy aspects of society and regulates all proportional relations through distributing social products, it also comprehensively reflects and transmits all such economic information as the financial results of the production management activity of all departments of the national economy, the investment in fixed-asset reproduction, the proportional and balance relations of the whole national economy and even the effect of natural disasters or unexpected accidents on the social economy through financial revenue and expenditure and balancing financial revenue and expenditure relations. For instance, state revenue department composition and growth conditions can reflect whether the national economic structure is rational, and public finance can also supervise, regulate and restrict the national economic structure. Practice has proved that the national economic structure (proportional relations) for a specific period are all formed by the yearly investment of the preceeding year's public finance and that regulation of an irrational national economic structure is also similarly realized through regulation of the financial distribution structure. Thus, macroscopic management and administration of the national economy is an objective inherent function of public financial distribution.

In order to stress ways to produce, accumulate and use money, change, to a certain extent, the current existence of the pure finance viewpoint and realize a public finance of a management and administrative type we must also fully develop the role of public financial distribution in the macroscopic regulation, direction, control and supervision of the national economy. That is, we must do a good job of planning and organizing socialist economic construction and the people's lives, do a good job of regulating and handling economic interests in all areas of society, manage, guide and supervise national economic activity and social production, circulation, distribution and consumption and ensure the normal operation and healthy development of the national economy. I think that this is the substance and essence of public finance of a management and administrative type. Specifically, the requirements of public finance of a management and administrative type roughly include the following aspects.

First, through all suitable forms of revenue, it must accumulate the necessary national income to ensure all state expenditure requirements. This is its fundamental and minimum requirement. Second, through all financial levers, mainly tax revenue, bonds, fund allocation and subsidies, it must correctly regulate and control the net income distribution of production enterprises, correctly handle the economic interest relationship between the state and production units, enable enterprise production and consumption to conform to the requirements of state plans, improve economic business accounting and economic results. It must also regulate revenue between the center and localities, various areas and various types of economic ownership and promote the proportional coordinated development of all areas and all types of economic ownership; regulate and strictly control the scope of capital construction investment, making it correspond to state financial and material resources; regulate and control the proportional relations between accumulation and consumption, productive and nonproductive accumulation, investment in agriculture and light and heavy industry and between all consumption funds; promote and ensure a rational national economic structure and realize good national economic circulation. Finally, through public financial distribution, it must reflect and restrict fully and comprehensively all aspects of national economic activity and promptly supply economic information to the state for macroeconomic policy and microeconomic enterprise invigoration.

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ECONOMIC MANAGEMENT

BRIEFS

JIANGSU RURAL ENTERPRISES PROSPER--The situation for Jiangsu's rural and township enterprises to develop proportionately and healthily this year is excellent. After surmounting numerous difficulties, the total output value of Jiangsu's rural and township enterprises is expected to reach around 40 billion yuan, accounting for one-third of Jiangsu's total industrial and agricultural output value; besides, output value, tax delivery and profits will also increase at the same pace, of which the total output value of the rural and village-level industries is expected to exceed 25 billion yuan. This year, Jiangsu's rural and township enterprises have again made important contributions in supporting agriculture, invigorating the rural economy, increasing the state financial revenue and readjusting the rural production structures. The above figures were disclosed by Comrade Wang Minsheng [3769 2404 3932], director of the Rural and Township Enterprises Administrative Bureau, Jiangsu Province, in a speech at the provincial conference on rural and township enterprises newsletters publication convened on 12 November. [Text] [Beijing ZHONGGUO XIANGZHEN QIYE BAO in Chinese 27 Nov 85 p 1] 12662/6662

CSO: 4006/483

JIANGSU PERSONAL INSURANCE SUBSCRIPTIONS FLOURISHING

Nanjing XINHUA RIBAO in Chinese 15 Sep 85 p 1

[Article by Xu Xingming [6079 5281 6900]: "Jiangsu Personal Insurance Ranks First in China; More Than One Million People Participate in Personal Insurance"]

[Text] By the end of August, more than 1,074,000 people in Jiangsu Province have subscribed personal insurance paying a premium of more than 30 million yuan, thus ranking first in the country. Among other places, Changzhou City (including counties under its jurisdiction), with nearly 250,000 people participating in personal insurance, ranks first in the whole province.

Personal insurance is a kind of insurance which the state is developing on a priority basis. It covers old-age pension and medical insurance, group insurance for personal accidental injuries and simple personal insurance. Old-age pension and medical insurance have solved the realistic issues of getting support in old age and receiving medical treatment in illness for contract workers and temporary workers in rural enterprises and business units who are not entitled to the state labor-protection treatment. This is a new way to reform the labor employment system and stabilize the contingent of workers and staff members. The group insurance for personal accidental injuries will enable the injured person himself or his dependents to obtain reliable economic protection from the insurance company in the event that a worker or staff member of an enterprise or business unit falls victim to an unfortunate accident. Simple personal insurance is a type of savings insurance, the insurance company will pay back to the insured the principal plus interest in full upon maturity regardless of whether the insured is injured in an accident. Personal insurance which eases the mind of workers and staff members worrying about future uncertainties has played a positive role in arousing the workers' enthusiasm for production and raising the economic results of enterprises. As a result, it is welcomed profoundly by the insured. This type of insurance has now spread to the vast countryside throughout the province.

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FINANCE AND BANKING

REFORM OF CHINA'S FINANCIAL SYSTEM DISCUSSED

Beijing JINGJI RIBAO in Chinese 25 Sep 85 p 2

[Article by Ma Mingjia [7456 7686 1367]: "Reform of China's Financial System Promotes Economic Development; By Restructuring the Credit Management System and Expanding the Sphere of Financial Services, Various Types of Bank Deposits and Loans Registered 1.6-Fold and 1.3-Fold Increases, Respectively, in 5 Years"]

[Text] The reform of China's financial system and financial enterprises has made giant strides since the 3d Plenum of the 11th CPC Central Committee as the reform of the economic system progresses in depth gradually.

China has now established a system of financial institutions with the People's Bank of China as the leader, the four major specialized banks--the Industrial and Commercial Bank of China, the Agricultural Bank of China, the Bank of China and the People's Construction Bank of China--as the main body and other financial institutions as the auxiliary. In the credit system, a credit management system with bank credit as the main body coexisting with other types of credit, such as commercial credit, consignment credit and people-to-people credit has been set up. In credit planning, the management system of "unified planning, funds classification, loaning for what one actually deposits and mutual collecting and circulating of funds" has been implemented. In interest-rate policy, attention has been directed to giving full play to the role of interest rate as a lever by raising the interest rate on savings deposits four times successively and readjusting the interest rate on loans twice. With regard to types of loans, the sphere of loan service has been expanded. All these reforms have laid a solid groundwork for restructuring the financial system.

The restructuring of the financial system since 1979 has given impetus to the development of financial work. Comparing the end of 1984 with the end of 1979, the amount of bank deposits and loans showed an increase by a wide margin. The various types of deposits rose from 134 billion yuan to 343.8 billion yuan, or an increase of 209.18 billion yuan, registering a 1.6-fold accumulative increase; savings deposits by urban and rural residents rose from 28.1 billion yuan to 121.4 billion yuan or an increase of 93.3 billion yuan showing a 3.3-fold accumulative increase. Various types of loans rose from 203.9 billion yuan to 474.6 billion yuan or an increase of 270.7 billion yuan registering a 1.3-fold accumulative increase, out of which fixed asset loans rose from 790 million yuan to 29.4 billion yuan, up by 28.61 billion yuan or a 36-fold increase. For 5 years, without receiving any added allocation of credit funds, the banks by fully relying on their own strength have energetically organized deposits, expanded the source of credit funds, solved the needs of circulating funds and technological transformation by enterprises and promoted the development of the commodity economy, thereby amply demonstrating the tremendous effect of the reform of the financial system.

Some problems have also cropped up in the course of the reform of the financial system due to the lack of experience and the unsound means of macroeconomic control over finance. Excessive increase in credit occurred following the fourth quarter last year, and this year problems have again cropped up with investment in fixed assets infringing upon circulating funds and fundraising in society digging into bank deposits. For this reason, the People's Bank of China has asked various specialized banks and other financial institutions to vigorously organize deposits under the macroeconomic control of the state in finance, make efforts to recall loans due or overdue, strengthen loan management, improve the effectiveness of loans, and bring about microeconomic flexibility to ensure orderly and lively activity so as to smoothly advance the reform of the economic system.

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FINANCE AND BANKING

CHEN MUHUA DISCUSSES CHINA'S FINANCIAL SITUATION

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 10, 4 Oct 85 pp 3-4

[Article: "Comrade Chen Muhua [7115 1970 5478] Discusses China's Financial Situation and Policy at Board of Directors Meeting of People's Bank"]

[Text] On 24 August, Comrade Chen Muhua, member of the State Council and president of the People's Bank of China and chairman of its Board of Directors, presided over the third meeting of the Board of Directors of the People's Bank. The meeting was mostly taken up with a discussion of the prevailing financial situation and the financial policy and measures which should be adopted for the last 4 months of the year.

It was agreed at the meeting that our financial situation was rather favorable during the first half of the year. The various banks and financial institutions were able to implement conscientiously the series of policy decisions of the State Council to strengthen macroeconomic control. A great deal of work was done in attracting deposits, in withdrawing currency from circulation, in reducing and recalling unreasonable loans and in controlling the rampant growth in consumer funds, the extension of loans to enterprises in villages and towns and loans for the acquisition of fixed assets. A favorable turn has been taken in bank deposits, loans and the withdrawal of currency from circulation. While strict control was exercised over the scale of credit loans and the amount of currency put into circulation, attention was also given to the need to make funds available for the purchase of subsidiary agricultural products.

It was pointed out at the meeting that, due to the inertia resulting from the loss of control over credit loans and the rather high rate of development in economic construction during the first 7 months of the year, complete control had not been exercised over the scale of credit loans. In particular, the decentralized utilization of credit loans had resulted in the application for bank credit loans by various quarters. Due to the lack of flexibility in the movement and adjustment of funds among the specialized banks and between the specialized banks and other financial institutions, the failure to settle accounts among the banks and the differences in the amount of remittances in time has resulted in manmade shortages in funds and intensified the contradictions occasioned by the lack of funds for economic construction. Certain localities, in seeking to sustain the inappropriate rate of develoment while laboring under the shortage of funds, have taken out their bank deposits to support capital construction projects. Other localities have raised funds from the enterprises, made circulating fund loans from the banks or used circulating fund loans to invest in fixed assets, thus affecting adversely the implementation of the policy of the state to strengthen macroeconomic control.

It was unanimously agreed at the meeting that the overall policy for the next few months should be to continue to exercise strict control over the scale of credit loans and the amount of currency put into circulation. The plan setting the margin of difference and the amount of loans granted the various banks by the People's Bank must be strictly observed. A special report on the readjustment of the plan for the issuance of currency and the extension of credit loans for the year is to be submitted by the People's Bank to the State Council.

In the meantime, the following measures should be adopted:

1. Efforts should be made to attract deposits, to recall loans that have matured or that are overdue, to exploit financial potential, to encourage deposits above the quota and to heighten the enthusiasm of credit cooperatives to absorb deposits. The banks should pay credit cooperatives a reasonable allowance to make up for the difference in the interest rate for deposits they have put into the banks.

2. When credit loan funds are available, effort should be made to allocate funds in an equitable manner, to support the purchase of subsidiary agricultural products within the plan, foreign trade exports, the production of commodities that sell well in the domestic market and to increase the withdrawal of commodities.

3. Efforts should be made to strengthen the management of funds. The People's Bank in various localities are required to strengthen their control over the short-term funds of the specialized banks. The specialized banks are required to strengthen the control of funds within their own system. The remittance funds which the specialized banks in various localities are required to pay to their head offices must be paid in time and not be used as credit loan funds. The head offices must pay in time the full amount of the balance of remittance funds which should be paid to their subsidiaries throughout the nation. The banks must strengthen mutual financial accommodation among themselves and settle accounts in time.

4. The People's Bank should formulate policy measures to deal with the problem presented by the various types of economic and technical development companies and enterprises in the various localities which seek to raise funds by withdrawing their bank deposits and by making applications for operational fund loans. A special report is to be submitted to the State Council and the recommendations are to be adopted upon approval.

5. Trust and investment companies should continue to be overhauled. The gap created by the flow of credit loan funds of the banks into the construction of fixed assets has yet to be plugged. It was reiterated at the meeting that trust operations must continue to be overhauled. In the future, trust and investment

institutions are to be permitted to be established only in large and medium-sized cities which are truly in need of economic development. The scope of trust operations is to be limited to commissions, agency, renting and leasing, provision of service as guarantors, consultation and other operations approved by the People's Bank. All funds are to be brought into the comprehensive credit loan plan of the local People's Bank. Loans used for capital construction or technical renovation (including trust operations, renting and leasing) must also be within the scope of the plan for fixed assets officially approved by the state. The various specialized banks are not for the time being to be permitted to engage in new credit loan and investment operations during the year. Trust loans which have matured and investment loans must be recalled in time and not continue to be used or loaned out laterally. An end must be put immediately to the practice of transferring bank funds to trust and investment companies. The full amount of funds which have been transferred must revert to the banks.

6. The work of auditing and checking loan funds must be strengthened and an end must be put to the unscrupulous practice of "taking advantage of loans for making private gains."

7. Effort should be made to speed up the reform of the method for settling bank accounts, to increase the volume of account settlements, to make things convenient for the masses, to reduce the use of cash and to offer better services to the enterprises and the various specialized households.

The meeting was attended by Liu Hongru [0491 7703 0320], vice chairman of the Board of Directors of the People's Bank; Yin Jieyan [3009 0094 3508], secretary general; Qiu Qing [6726 2532], Zhu Tianshun [2612 3944 7311], Shang Ming [1424 2494], Jin Deqin [6855 1795 3830], Zhou Daojiong [0719 6670 3518], Qin Daofu [4440 6670 1133], Tang Gengyao [0781 6342 1031], Che Peiqin [6508 1014 2953], members of the Board of Directors; Zhang Xiao [1728 5135], president of the Industrial and Commercial Bank; Ma Yongwei [7456 3057 0251], president of the Agricultural Bank; Wang Deyan [3769 1795 5888], president of the Bank of China; and representatives of the concerned departments and commissions.

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FINANCE AND BANKING

BANKER CALLS FOR EXPANSION OF CREDIT RESOURCES

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 10, 4 Oct 85 pp 6-8

[Article by Zhang Xiao [1728 5135], president of Industrial and Commercial Bank of China: "The Need To Increase Savings Deposits and To Expand Credit Resources"]

[Text] During the first half of the year, the banks and offices of the Industrial and Commercial Bank at various levels have done a great deal of work in conscientiously implementing the instructions of the State Council regarding the need to exercise strict control over the scope of credit loans and the issuance of currency. First, savings in cities and towns have shown an increase; second, a considerable amount of currency has been withdrawn from circulation; third, in regard to the major policy decision to strengthen macroeconomic financial control, everybody concerned has come to appreciate its significance, carried it out in a resolute manner, checked over and over again improper loans, cleared up and recalled the overdue interest on last year's loans, and adopted measures to control improper lending; fourth, in conformance with the new measures for the control of credit funds, the banks and offices of the Industrial and Commercial Bank have tentatively established a system for the lateral movement of funds, facilitated the transfer of funds and basically satisfied the normal needs for production and circulation during the first half of the year.

However, due to the excessive speed in production and construction and the insufficient amount of preparation, there have emerged the following problems that cannot be overlooked: (1) A reduction in the amount of deposits made by the enterprises and in financial resources. Such a large amount of funds in society has been diverted to capital construction that there is a shortage of funds for production and circulation. (2) The rapid increase in the extension of loans has resulted in a shortage of credit funds. To ensure the successful reform of the economic system in the cities and continued economic stability and coordinated development, the Industrial and Commercial Bank must do a creditable piece of work in the latter part of the year in the following areas: First, it must work conscientiously to attract the savings and deposits of the enterprises and resort to eveyr means to accumulate credit funds. Whether it can successfully accomplish its mission for the year depends on how well this work is done. Second, strict control must be exercised over the release of loan funds and the administration of circulating funds. Emphasis is to be put on the vigorous development of the financial and material potentials of the enterprises. Third, a further step must be taken to strengthen the flexible deployment of credit funds and to increase the effective utilization of credit funds.

Vigorous Absorption of Savings Deposits

The Industrial and Commercial Bank has done well in attracting savings deposits during the year. Up to the end of June, the balance in savings deposits came to 79,162,000,000 yuan, showing an increase of 12,072,000,000 yuan over the amount at the end of the previous year and representing 75.92 percent of the added quota set for the current year. The increase in savings deposits has a positive and vital effect on replenishing the credit funds of the bank, the withdrawal of currency from circulation, stabilization of the market and the development of the national economy. The major problems encountered in the work of savings and deposits during the first half of the year include a slower rate of increase in savings deposits, a slower rate of increase in savings deposits compared to the increase in the amount of cash payment in the form of wages, with the result that there is an increase in the amount of cash held by the masses, a slower rate of increase in fixed savings deposits compared to current savings deposits so that there is a drop in fixed savings deposits compared to current savings deposits so that there is a drop in fixed savings deposits and a rise in current savings deposits. AT the same time, the drop in deposits made by the enterprises has, to a certain extent, canceled out the increase in savings deposits.

Under present circumstances, the vigorous absorption of savings deposits has become the key to the growth of financial resources to meet the needs of production and the normal circulation of funds. All those working in the bank from top to bottom must mobilize themselves on an emergency basis, direct major effort toward the absorption of savings deposits and use every means to accumulate more credit funds to ensure the availability of funds for the implementation of the credit loan plan for the year. To that end, the head office of the bank has proposed that savings deposits amounting to 13 billion yuan is to be absorbed during the latter half of the year and 25 billion yuan for the entire year, of 157 percent of the original plan for increasing the amount of savings deposits. In setting this target, the head office has given consideration to the following: According to the pattern prevailing in recent years, the amount of savings deposits in the latter part of the year is generally a little higher than that during the first half of the year; a larger amount of savings deposits is likely to be absorbed due to such factors as the increased payment of wages during the latter half of the year; the increase in the interest rate for savings deposits since August is also likely to promote savings. In order to achieve the savings deposit quota for the latter part of the year, we must direct our attention to the following:

1. Internal potential must be vigorously developed. In regard to savings deposit network outlets which have already been established but which have yet to open for business, the necessary facilities and personnel must be installed as soon as possible and the outlets are to be open for business within a fixed period of time; the savings deposit network outlets which have been forced out and taken over must be promptly returned; the institutions of the bank that deal with the public must install special savings sections and begin savings

operations in the near future; if warranted by the amount of operations, an adequate work force must be organized and more windows opened to attract more deposits; there must be a relative degree of stability in the makeup of the savings work force and a certain number of core oeprators must be maintained; depending on the manpower available and the volume of work, business hours should be extended during peak periods for the making of deposits and such methods as introducing work shifts should be adopted; procedures should be simplified without sacrificing the quality of service; the award of prizes for various types of deposits should be adopted in line with the policy decisions of the state; the creation of conditions for increasing the number of network deposit outlets; the more extensive use of special machines and tools to increase work efficiency, etc. In short, no stone is to be left unturned to eliminate the difficulties encountered by the masses in making deposits and withdrawals.

2. Savings agency operations must be further developed. The development of savings agencies is a good way to develop savings operations in that it yields rapid results while requiring little input. Savings agency personnel are a major force for attracting savings deposits. The various banks must take immediate action to develop savings agency operations, especially those of exclusive agencies, offices, organizations, enterprises, the armed forces and schools. Field personnel in savings should be assigned on a regular basis to inspect, supervise and provide guidance in savings agency operations. Such agency operations as the payment of wages and the collection of various fees on behalf of the various departments should be vigorously developed. Those credit cooperatives in the cities which have passed muster after having been overhauled may also engage in savings agency operations.

3. Efforts must be made to upgrade th quality of service. Savings personnel must appreciate the need to give top consideration to depositors and to improve the quality of service. They must show enthusiasm and courtesy in dealing with their customers, bear in mind at all times the interests of depositors, try to understand the psychology and the needs of depositors, heighten their sense of responsibility, observe strict discipline in their work, abide strictly by the regulations of the system and put an end to the practice of chatting with their customers while on business. They must improve the working environment and engage in various forms of propaganda work in a lively and vivid manner so that the importance of savings may come to be appreciated by the people.

4. Competition should be held to motivate the enthusiasm fo the vast number of people engaged in savings operations. Competition should be held to select the best in such areas as "enforcement of policy, fulfillment of the quota, courtesy to customers and quality of work." Progressive units and individuals should be selected and citations and awards given to the winners. Awards should be given those who have overfulfilled their quotas this year. Those in leadership positions in the banks at various levels must strengthen their leadership, put themselves at the forefront of savings operations, show concern over the livelihood and hardships of those engaged in savings operations, resolve in time the problems relating to savings operations and fully motivate the enthusiasm of those engaged in savings operations.

While vigorous efforts are made to absorb savings deposits, we must also regard it a matter of importance to reverse the downward trend in deposits made by enterprises. Deposits made by enterprises constitute a large part of the various types of deposits and are an important source of bank credit funds. In keeping with the policy of the state, the various banks must take immediate action in adopting the necessary measures to reverse the downward trend in the amount of deposits made by enterprises. The enterprises and the concerned deparmtents must be made to understand clearly that in line with the principle of "engaging in production first and capital construction later," the funds belonging to enterprises and banks must be used to meet the need for circulating funds and technical reforms and to ensure the normal process of production and circulation. Banks must render satisfactory service to the various units of enterprises and eliminate "the difficulty of opening bank accounts." They must pay special attention to big depositors, analyze changes in the pattern of deposits made by each and every depositor and resolve whatever problem that may arise. They must further strengthen their control over ready cash and withdraw currency from circulation. They must vigorously enforce the relevant stipulations made by the People's Bank concerning the division of labor in operations among specialized banks, strengthen control over the special fund deposits of enterprises and avoid the diversion of circulating funds and funds for technical reforms for enlarging the scope of capital construction.

Control must be strengthened over the raising of funds in society. The Industrial and Commercial Bank should take the initiative in engaging in activities approved by the state and in accordance with its regulations for raising funds in society. The credit departments should serve as agents for issuing stocks and bonds and open new avenues for the accumulation of funds. Those departments which take it upon themselves to issue stocks and bonds without authorization are not to be permitted to serve as agents and are to be reported to the People's Bank and the concerned departments. A stop must be put to the raising of funds by withdrawing funds at random or by misappropriating the loan funds of the banks. We must be on guard against those who use the raising of funds as a pretext for disrupting the financial market and engaging in illegal and fraudulent activities.

Effecitve Control and Flexible Utilization of Circulating Fund Loans

At a time when enterprises are short of circulating funds, the banks must use every means to make available to the enterprises the necessary production and circulating funds during the busy season. While efforts are made to attract deposits, they must also help enterprises to exploit effectively their material and financial potential, to exercise effective control over their loan funds, and to utilize such funds in a flexible manner. We must base our guiding ideology on two principles: first, we must exercise strict control over the scope of credit loans, exercise strict control when strict control is called for and refrain from supplying funds for production that is progressing at an excessive rate and for making funds available at will and above the quota; second, we must give support to what merits support, invigorate what needs to be invogorated and avoid adopting the simple method of refusing the supply of funds just because funds are in short supply. Funds must be made available for the purchasing of agricultural sideline products, the key production projects of the state, the increased production of commodities that sell well and that help to withdraw large amounts of currency from circulation, projects for the development of energy and the transportation enterprises. It is obvious that a large gap exists between the supply and demand of funds. However, since the funds of enterprises have great potential, the control of circulating funds should be focused on exploiting the material and financial potential of enterprises. We must mobilize our resources to exploit this potential and to check up on enterprises on a regular basis. We must have a good understanding of enterprise potential and a clear idea of how to implement plans and measures for tapping their potential within a fixed period of time.

We must urge enterprises to replenish their circulating funds according to stipulations. We must not expect banks to keep enterprises supplied with circulating funds. Additional circulating fund loans are not to be granted to those enterprises which replenish their own funds in violation of stipulations, which depend on loans to continue production and which make use of funds to engage in enlarged capital construction projects.

Flexible Deployment of Credit Funds

Following the adoption of new measures for the control of credit funds and the settling of accounts this year, the banks and offices at various levels have strengthened the rectification, forecast and transfer of credit funds. The establishment of a crisscrossing network for the flexible transfer of funds so that no credit funds are allowed to lie idle and that they are utilized to the best advantage is a basic demand in the work of banking as well as one of the major yardsticks for evaluating the standard of banking operations. It is especially important to direct our efforts toward this work in order to prevent the emergence of a situation marked by a shortage of funds in some areas and a surplus of idle funds in others. Those in leadership positions in the banks at various levels must learn as soon as possible how to master the methods for the transfer of funds, continue to sum up their experiences to improve work relating to the transfer of funds and eliminate the abnormal phenomenon presented by some banks having money but being afraid to use it and others which spend money they do not have. Judging from the situation regarding the transfer of credit funds during the first half of the year, special attention should be directed to the following during the latter half of the year:

1. Funds should be centralized to a suitable extent. On the basis of our investigation and research, we must proceed from actual conditions in setting the highest and lowest limits for the deposits of the People's Bank and its reserves of operational funds and in centralizing to a suitable extent certain credit funds so that they may be transferred in an effective and flexible manner; the branches and subbranches in the large and medium-sized cities which are in a position to do so may consider opening centralized deposit accounts in the People's Bank so as to prevent the decentralization of idle funds.

2. The system for turning over intrabank remittance funds must be strictly enforced. Intrabank remittance funds are funds temporarily utilized or paid out by banks and offices at the basic level in the process of handling the operations of associated banks. Banks and offices at the basic level must settle accounts daily with banks at a higher level and complete the procedure in time for the actual payment and transfer of funds. They must on no account use any pretext to delay payment or make use of remittance funds which should be paid to associated banks for the extension of loans. In this regard, the

various banks must proceed from the interest of the overall situation. The use of remittance funds which should be turned over to the head office would adversely affect the transfer of these funds by the head office to the other banks. The use of remittance funds belonging to associated banks for the extension of loans above the plan would break through the scope of credit loans and make it difficult for the head office to exercise macroeconomic control. It is for this reason that the enforcement of the system of turning over intrabank remittance funds should be considered a rule to be strictly observed.

3. The plan handed down to the various branch banks by the head office for the decrease of credit loan difference and increase in the deposit difference must be fulfilled and funds must be turned over to the head office in time.

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SAVINGS DEPOSITS IN CHINA FACE SERIOUS CHALLENGES

Shanghai CAIJING YANJIU [THE STUDY OF FINANCE AND ECONOMICS] in Chinese No 5, 18 Oct 85 pp 15-17

[Article by Zhu Delin [2612 1795 2651]: "Challenges Now Facing Savings Deposits and Countermeasures"]

[Text] China's savings deposit business is burdened with arduous tasks. It has to raise hundreds of million yuan in funds to realize the four modernizations and it also has to regulate the excess amount of currency in circulation. However, it is now facing numerous challenges in the increasingly complicated economic life. For this reason, we must study the matter and adopt positive countermeasures.

Confronting Challenges

The development of the commodity economy has ushered in a new situation in the movement of funds in society, Bank savings have encountered unprecedented difficulties in the increasingly complicated economic life, they are also facing numerous challenges.

1. Rapid Formation of the Financial Market

Prior to the restructuring of the economic system, there was no financial market in our country, what existed was only a fund distribution system manipulated by the financial banks. Funds at that time did not become a special commodity nor could they as a result reflect the "price" of the special use value of funds and the supply-demand relationship--interest (the single interest rate which prevailed could not reflect the above-mentioned demands), correspondingly, buyers and sellers of funds were also nonexistent. The banks monopolized all funds outside financial revenues, all temporarily idle funds of various enterprises and business units became bank deposits. Except for a small amount of cash stashed away at the bottoms of chests, most of the idle funds belonging to the masses of residents flowed into the bank as savings deposits.

The financial market quickly took shape and kept on developing following the reform of the economic system. At the moment it is mainly a funding market, that is, a small-scale currency market, and its form of transactions includes the issuance of share certificates, negotiable securities for fundraising and corporation bonds, fundraising pledges in society and fundraising in the countryside through labor. The rapid formation of the financial market has opened a new channel to absorb funds and changed the situation of having idle funds end up in the banks like all rivers flowing to the immense sea.

2. The Multiple Way of Handling Savings Deposits

Savings deposits have always been exclusively handled by the banks and credit cooperatives without any exception. With the reform of the financial system, collective credit institutions have appeared in cities and small old-style Chinese private banks have also emerged in individual areas in the countryside. As a result, savings deposits have developed from a unitary operation into diversified state, collective and individual undertakings.

3. The Impact of Price Fluctuation

With the reform of the pricing system and compounded by certain illegal price hikes that acutually prevailed, the price of consumers goods, especially farm produce and sideline products, has been on an upward swing. On the other hand, the readjustment of the interest rate for savings deposits, both in time and magnitude, has often remained in a stagnant state. Therefore, not only is it actually very hard for saving deposits to yield interest but it is also difficult to preserve value. We have to say this is a menace to savings deposits.

4. The Rise of People-to-People Credit

The development of the rural commodity economy has daily increased the needs for funds, because the credit cooperatives' fund resources and allocating capacity can no longer satisfy the needs, people-to-people credit has emerged as the times require. The people-to-people credit is extended in many flexible forms and the interest rate is moderate. Its development has absorbed a considerable amount of idle funds in the countryside and separated itself from the bank's middleman role.

5. The Tendency of Turning Savings into Material Objects

The broad masses of people are at present commonly obsessed by the fear of rising prices, consequently many people have rushed to buy goods and materials, thus spending ahead of time money which was originally intended for buying things several years later. Some units and individuals purchased large quantities of gold ornaments. Sales departments in Shanghai handling gold ornaments reported that some customers purchased gold ornaments valued at 3,000 to 4,000 yuan at one time. Turning savings deposits into material objects has reduced the portion of savings resources.

6. The Rivalry over High Interest Rates

The rivalry over high interest rates comes from two areas: a) dividend and bonus. The dividend is actually much higher than the interest rate for savings deposits in the bank since it is generally stipulated that it should not be lower than the interest rate payable to time deposits of the same schedule, besides, the payment of dividend is guaranteed like "ensuring stable yields despite drought or waterlogging" because the interest is not paid according to the principal in the share certificate and the dividend distributed in the following year. b) in usurious people-to-people borrowing and lending on a private basis, the interest rate is several times higher than that of the state bank, at times more than 20 times higher.

7. Complications of the Savings Deposit Structure

Although savings deposits mainly come under consumption funds to begin with, their structure has now changed to some extent. Peasants' savings deposits have become a combination of accumulation funds and consumption funds; the savings deposits of individual industrial and commercial accounts are principally production and operational funds; some enterprises and business units have deposited welfare funds, bonus funds, profits retained for tax payment and other public funds into the banks under personal names in violation of rules governing cash control.

8. High Demands Imposed by Depositors on Services

For a long time the savings business in our country had been a very simple type of operation of receiving and paying involving mainly depositing, withdrawal and calculation of interest. Now that their economic life has changed, the depositors are imposing higher demands on banking services. Some savings account holders hope that banks will help settle a portion of their monetary activities in production and business operations by means of transfer accounts; a few savings account holders having large deposits and whose level of consumption is comparatively high have asked for the use of checks and credit cards to make payments for the sake of simplicity, convenience and safety.

Principal Contradictions

The multiple ways of shifting savings funds has played a positive role in developing the commodity economy, it has also brought forth numerous difficult problems in the macroscopic, control of the national economy at the same time. The following are existing contradictions requiring prompt solution:

1. The Contradiction Between Dispersed Savings and Macroeconomic Control

When savings are exclusively handled by the banking system, the savings funds become a part of the source of the credit funds which are incorporated into the credit and proceed to achieve a unified balance of financial revenue, foreign exchange and goods and materials. At present, savings funds are divided into two parts, one part is controlled by the state banking system, which may be called intrabank savings funds, the other part represents the savings funds in society existing in various shapes and forms, which may be called savings funds outside of banks. While the former is still within the confine of macroeconomic control, the latter, which is beyond the reach of macroeconomical control, becomes involved in market activities. With the further opening of the financial market and the further expansion in the scope of financial activities, the amount of the latter grows with each passing day. The problem that has cropped up in the use of this portion of funds is that the funds flow freely and laterally to a point that the People's Bank cannot control the credit scale and the specialized banks have found it hard to strengthen credit management. For example, where does this portion of funds come from and where does it go? Is the distribution reasonable? Is it linked with the movement of goods and materials? When used in capital construction, is it to be included in the fixed-assets investment plan? Since neither the finance department nor the bank can exercise control, it drifts away beyond the reach of macroeconomic control.

2. The Contradiction Between Low Interest Rates for Bank Savings and High Interest Rates for Savings in Society

One of the motivations for saving is to gain interest, especially if the amount is comparatively large. Bank saving should be the fundraiser for the state and play the role of main channel in absorbing savings, but its interest rate is generally lower than that of savings in society, otherwise known as savings outside the bank, such as share certificates, bonds, funds raised in society and people-to-people lending and borrowing. This is a contradiction.

3. The Contradiction Between Price Increases and Value Preservation

Another motivation to save is value preservation which is more meaningful to those whose savings are small. If commodity prices keep on rising while the interest rate remains low, the interest will not be able to compensate for the loss from the currency depreciation brought about by rising prices. Such being the case, saving will have no economic meaning to those holding currency. The area covering price readjustment at present is wide and the general commodity price level is fluctuating upward. We must say that this is in contradiction with saving, whose function is to preserve value.

4. The Contradiction Between a Single-Function Savings Operation and High Demand For Services

As mentioned above, some savings account holders hope that savings accounts can also be used for settling accounts to serve their production and business operations. Since such a service has still not been provided by the banks, considerable amounts of deposits are lost because some individual account holders who are keeping tens of thousands yuan in cash in expection of business needs will not put them into savings deposits.

Positive Countermeasures

With savings confronting multitudinous challenges and contradictions, the task with top priority is to seriously study countermeasures. Strategically there are two choices in countermeasures: One is of a defensive nature and the other is of a progressive nature. The former is an unwise and negative move, the latter is a better and more positive plan. Defensive countermeasures may take some of the following steps: banning people-to-people credit, restricting fundraising in society, abolishing the various types of trust and investment corporations outside the banking system, and channel all credit dealings once again into the banks and classify all of them as bank savings. The direct effect of these measures will be that the amount of savings in the banks will increase and will be included as the source of credit funds for the banks. This is desirable if measured in terms of banking results. However, it is incompatible with present-day economic life judging from the macroeconomic point of view. This countermeasure, therefore, should not be chosen. Only be a progressive countermeasure to cope with the need of an increasingly prosperous commodity economy can be worthy to be chosen.

In order to draw up a series of positive countermeasures, a number of positive saving concepts must be fostered. These concepts include:

1. The Concept of Saving in a Big Way

The saving concept originally referred to the credit activities involving bank deposits that took form from the idle money people possessed; by the amount of savings, it referred to the amount of deposits made by the people; the savings operation includes depositing, withdrawal and calaculation of interest relating thereto; the effectiveness of savings work is mainly symbolized by the amount of savings deposit. The saving concept should be updated now. All activities concerning the selection of financial assets having something to do with the idle money of people can be called savings, including money stashed away at the bottom of the chests, material objects purchased for the sake of value preservation, bank deposits, investment in stocks and bonds and people-to-people lending and borrowing. The volume of savings in the whole society should include the total amount of currency in the hands of people, regardless of the forms of assets they chose. The savings operation should be expanded appropriately to include services to bank savings and other services in the form of consultation, guidance, supervision and participation. The effectiveness of savings work is measured by the amount of bank savings and also the sum total of the economic results in society achieved by the banks in the service of other savings.

2. The Concept of Multiple Savings

Raising the saving rate by every possible means and drawing all the idle money from the people into banks has been the goal pursued in savings work for a long time. This expected goal is reflected in savings under a highly centralized economic modality. The outcome is an extremely high saving rate.

However, because the funds are improperly used, the result of utilization of savings deposits is extremely poor, as are the savings results in actuality. Multiple saving comes into being in conforming to the development of the commodity economy. The dispersion of funds makes distribution more flexible and is conforming to the principle of diversifying risks, it can also avert economic loss resulting from errors in highly centralized investment in enormous sums. Generally speaking, therefore, so long as planned guidance remains effective and the vicious cycle of duplication in construction and unrealistic production is eliminated, the effectiveness of utilizing savings deposits can be raised.

3. The Concept of Energetic Intervention

Multiple saving came into being in conforming to the development of a commodity economy; its main current is energetic and rational. However, numerous problems also exist and some of them are quite serious. The banks cannot ignore them and let things drift along but should intervene. The purpose of intervention, of course, is not to obstruct or stifle saving but to guide and make it respond to macroeconomic needs. The manner of intervention should be a combination of economic, legal and administrative means.

4. The Concept of Competition

The dispersed and multiple form of saving makes competition inevitable. Such being the case, the banks should voluntarily participate in competition. Since the banks have the absolute advantage over the handling of savings, their objectives and means of competition should all be correct. While the objectives are to elevate the level of operation and management of various establishments ouside the banks and seeking still greater results, correspondingly, the means must also be equal, rational and lawful and not to the contrary.

5. The Concept of Service with Initiative

The bank saving service to begin with has been rather passive in nature amounting to "standing by a stump waiting for more hares to come" or just waiting for money to show up at the doors. The certain needs of the saving account holders have still not been satisfied to date. In this respect, we should learn from the Japanese banking institutions by expanding the scope of services, taking the initiative to satisfy the needs of savings account holders and anticipate them.

Based on the foregoing guiding ideology, certain countermeasures below may be used as reference:

First, participating in fundraising in society and giving play to the guiding role. This is a positive measure for solving the contradiction between the dispersion of savings and the use of funds in macroeconomic control. The savings funds outside the banks represent the portion transferred from bank savings deposits. In form, it seems as if they have nothing to do with the banks, but they are, after all, a part of the savings in society (referring to the sum total of bank savings and savings outside the banks). The banks as important institutions in exercising macroeconomic regulation over the funds should undoubtedly give play to their guiding functions in using the savings funds in society. This part of their work represents a reform and an attempt to shift saving from a receiving and paying operation to an operational and management operation; it is also the manifestation of the concept of saving in a big way in concrete work. It is of penetrating significance. The following work may be carried out while participating in fundraising in society:

--Strengthening financial administrative management and developing specific professional work in managing the financial market. Although provincial and municipal branches of the People's Bank have set up departments of financial administration at present, they cannot cope with the current needs of fund raising in society due to limited manpower. Some fundraising units reflected that while they had hoped for guidance and supervision from the banks very eagerly, the banks do not have sufficient manpower to participate.

--Developing trust service and setting up consigned loan service, consigned investment service, and acting as an agent in issuing fundraising negotiable securities and share certificates so as to draw in the savings funds outside the banks and place them under the guidance and supervision of the banks once again.

--Direct "investment," control of shares. The banks may play a manipulating and controlling role similar to that of a "holding company" broad by extending loans to fundraising enterprises or by purchasing their shares.

Second, further reforming the interest-rate system. Although there have been numerous improvements in the interest-rate system in our country in recent years, they are still incompatible with our economic development and thus more reforms are needed. The targets of the interest-rate policy in recent years should be: stabilizing bank savings, supporting and developing collective saving, guiding fundraising in society and restricting and putting an end to usurious activities.

To stabilize bank savings, the interest rate must be: 1) adequately raised; and 2) expeditiously and flexibly readjusted. In raising the interest rate at present, it must be targeted toward value preservation and compensate for the loss due to rising prices and currency depreciation, on the one hand, and must also benefit those who saved money. To this end, the extend of the interest-rate hike should include the two factors mentioned above. If commodity prices are readjusted on a one-time basis, readjustment of interest rate should be kept correspondingly stable. If the upward swing tends to fluctuate constantly, then the interest rate should be readjusted regularly so as to keep pace.

Supporting and developing collective savings. A phenomenon has emerged in the rural credit cooperatives as more deposits are taken in, the loss grows bigger. This is due to the stipulation of the Agricultural Bank of China that various credit cooperatives must transfer 30 percent of various types of deposits they have absorbed and deposit them in the banks as reserve funds earning 3.9 percent in interest while the average interest rate for the various types of deposits absorbed by the credit cooperative is 5.9 percent. This situation should be changed, the interest rate payable to deposits transferred to the Agricultural Bank must be higher than that paid to deposits absorbed by the credit cooperatives so as to encourage them to take in more savings deposits.

Guiding fundraising in society, principally the reasonable level of dividends and bonuses. The dividend and bonus rate should be linked with the interest rates for individual savings deposits and enterprise deposits. While the bank interest rate is under the macroeconomic control of the state, dividends and bonuses should not be subject to any restrictions. Of course, since share certificates have to assume a certain risk, the profit gained from the subscribed share certificates should be higher than the interest paid to deposits. However, without restrictions, it is bound to excessively reduce bank deposits and weaken the bank's ability in regulating economic funds. It is suggested that the rate of earnings from dividend plus bonus should be limited to 15 percent of the average fund profit rate.

Restricting and putting an end to usurious credit. As mentioned above, usurious activities have surfaced in people-to-people credit at present, with interest rates more than 20 times higher than that of the state banks involved in lending or borrowing. This harsh exploiting act is impermissible under socialism. The banks should set up special organizations to exercise control and stipulate the range of interest rates. For example, the 18 percent limit, that is, 200 percent of the maximum interest rate of credit cooperatives, suggested by some people may be used as reference. The lender and borrower may consult each other within the scope of the interest rate.

Third, developing collective savings and experimenting with individual savings. The amount of rural savings has increased at a rate of more than 40 percent in recent years, that is an area which has the best future for development in the savings business in our country. The banks should guide the development of rural credit cooperatives in a planned way and raise their service level. The collective credit cooperatives in the cities should also be developed in a planned way. Can individual savings be tried out in urban and rural areas at the same time? Several services may be tried out in advance, such as absorbing savings deposits from among the people, extending loans in the nature of helping livelihood, providing management service for settling accounts involving funds raised in huge sums and playing the role of middleman in people-to-people credit.

Fourth, expanding savings service. Above all, we should extend services to handle savings for individual households and specialized households in receiving and paying, and in transferring and settling accounts. Since production and operational funds account for a large percentage in this portion of savings deposits, whether or not the service for settling accounts can be provided will have a direct impact on cash circulation. There are 24 million rural specialized households throughout the country, calculated on the basis of 500 yuan in cash in the hands of each household, the amount will come to 12 billion yuan. If such cash can be turned into bank deposits, it will increase funds by hundreds of millions yuan throughout the country. Second, we should increase the types of savings, such as by expanding special accounts combining deposits and loans or nondirectional savings and time savings with bonus and restoring agency savings by proxy. At the same time we should experiment with the service of acting as a wagepaying agent.

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FINANCE AND BANKING

PROBLEM OF MERCHANDISE WITH VARIABLE PRICES DISCUSSED

Shanghai CAIJING YANJIU [THE STUDY OF FINANCE AND ECONOMICS] in Chinese No 3, 18 Jun 85 pp 25-26

[Article by Deng Suiyu [6772 4840 1342]: "How Should We View 'Merchandise with Variable Prices' on the Market?"]

[Text] Recently, there has been a remark that "having variable prices for the same commodity on the market really turns things upside down." Another comment is that "the consumers are the ones who suffer from these price hikes." However, some people hold a different view. They maintain that "having variable prices for the same commodity on the market is not a manifestation of confusion or price hike, but of flexibility." Viewpoints on this matter are diametrically opposed, which is not unusual. The key lies in the necessity for us to seek truth from facts, recognize the essence through looking at the phenomenon and draw a clear line of demarcation between right and wrong instead of believing in something lightly. How indeed should we regard the "variable prices for the same commodity on the market"? In fact, the appearance of "variable prices for the same commodity" on the market is a common manifestation of the law of value, and is a good thing which will revitalize the economy, improve productivity, develop production, satisfy needs and improve results. "Variable prices for the same commodity" will persist for a definite period of time in the course of development, but it will gradually disappear with the development of production and reform of irrational price systems.

Here we shall first of all analyze the causes for the appearance of "variable prices for the same commodity" on the market! We can consider the following aspects:

First, from the standpoint of the changes which have taken place in the channel of circulation: In the past, a commodity was handled by the first class stations, second class stations and third class wholesale and retail shops which distributed commodities and organized commodity circulation according to administrative divisions. This was a closed form of distribution involving many links and one single channel. With the formation and development of an open-style new system of circulation involving diverse economic forms, multiple channels of circulation, diverse business modes and few links, we can replenish our stock on one commodity from many sources and replenish our stock with superior and profitable commodities. We can also replenish our stock through direct order from the factory. Because we replenish our stock through different locations and units, we will encounter different prices and expenses in replenishing our stock. At the same time, the industrial sector can sell some of its own products as well. Under such a situation, different retail shops will inevitably present different retail prices for the same commodity. This condition will constitute an increasingly important role in the further development of the new system of circulation.

Second, in terms of reform of the price management system, the commercial enterprises have for a long time had no power over price management. The various commodity prices were fixed by or examined and approved by the commercial administrative departments in charge. Sometimes the prices were fixed for life. To meet the needs of the large-scale development of a commodity economy, strengthen enterprise vitality, reduce the scope of unified price fixing and expand floating prices and free prices to a certain extent, the enterprises presently have the power to fix their own prices under the terms permitted by state policies. For instance, in Hubei Province, the commodities with prices directly controlled by the commercial administrative departments have been reduced from 166 kinds in the past to 53 kinds. Those small commodities with low output value, diverse specifications, fast updating and great changes in demand have been opened up for the enterprises to set their own prices or set negotiated prices through negotiations between the industrial and commercial parties. The gross amount of sales of these small commodities constitutes only about 7 percent--a miniscule percentage--of the gross sales of state-run industrial products. Within the variety and range specified by the state, the enterprises have implemented floating prices as well as price differences based on design, color and quality. Different prices charged by different retailers for the same comodity will definitely result from differences in the quantity of the commodities in stock and the speed of sales of the various enterprises, and the differences in the scope of fluctuation and the handling of individual fixing of prices, all of which follow from the reform of the price management system. This is conducive to strengthening enterprise vitality, revitalizing the economy, and encouraging the various enterprises to improve results, do business in a flexible manner, and flexibly adapt to complex and ever-changing societal needs.

Third, in light of the readjustment of the policy involving the procurement and sale of agricultural products, in recent years the state has adopted a series of measures to relax our policies and revitalize our economy. We have narrowed the scope of centralized and assigned procurement for farm products and expanded the scope of negotiated procurement and sales. Fair trade markets have developed and expanded day after day and the peasants have entered the realm of circulation. For grain, cotton, and edible oils, the state has implemented procurement based on the ratio between parity price and negotiated price (30:70 for grain, 40:60 for edible oils, 60:40 for cotton, 20:80 for north China), and so forth. Under this new situation, the appearance of "variable prices for the same commodity" in a market is a matter of course. At the same time, this contributes to clearing circulation channels, expanding commodity circulation, developing commodity production, satisfying society's needs, offering conveniences for everyday living, enabling the urban and rural economy to prosper, and revitalizing the socialist market. "Variable prices for the same commodity" will also result from the gradual reduction of directive planning and expansion of guidance planning and market regulation.

Fourth, in regard to competition, under the terms of a commodity economy, competition is an objective law independent of men's will. With the development of commodity production, materials become increasingly abundant, and the seller's market becokmes largely a buyer's market. Competition among businessmen is extremely acute. In light of the current situation, the primary competition is one in which the seller tries to win over the buyer. In addition to providing superior products and fine-quality service, he also attempts to win over new customers by lowering prices and reducing profits. "Variable prices for the same commodity" results naturally from this. Further investigation shows that this requires retail enterprises to be flexible, meeting society's complex and ever-changing societal needs, pursuing smaller profit but more sales and in turn greater profit through more sales, exercising the role of funds to improve results. From the consumer's point of view, this type of competition does not increase one's burden but actually benefits the purchaser.

Fifth, in view of the situation of the existing system of planned management, we should implement planned prices for such important state-handled products as steel, coal and cement, which fall within the scope of directive planning. For a long time, due to our ignorance of the role of the law of value and market forces, we have failed to enable the prices of these categories of products to accurately reflect value or the relationship between supply and demand. Fixed prices are too low and demand does not accord with supply. However, a rather confusing state has existed in the present price system which is difficult to resolve momentarily. Thus, we have permitted this category of enterprises to float prices for certain commodities within a prescribed margin after fulfillment of the state plan. Thus, the appearance of "variable prices for the same commodity" is natural here as well. Because it occurs when the law of value is suppressed, establishment of a planned system that consciously uses the law of value, plus the reform of the irrational price system, will gradually bring about its demise.

Sixth, inasmuch as commodity value is determined by the necessary labor in society, the overall situation is in a state of flux. With the development of intelligence, the development of science and technology, renovation, transformation, tapping of potential, intensive expansion of reproduction as well as the improvements in technical proficiency and productivity of the laboring people, the necessary labor time in society which determines commodity value will inevitably decrease (while that which exceeds the necessary labor time in society will be eliminated). However, because of the differences in enterprise production factors, technological levels, raw material consumption and the extent of the improvement of labor productivity, a product will have different production prices in different production enterprises. Precisely because of this, the commercial sector will purchase the same product at different prices from different production enterprises. This will in turn lead to "variable prices for the same commodity" on the same market. This is an inevitable result of uneven growth in labor productivity.

Finally, does "variable prices for the same commodity" violate the law of value? The answer is no.

Price is the monetary manifestation of value. Commodity value is determined by socially necessary labor time. The regulatory role of the law of value on production and circulation is primarily realized through prices and is manifested through the correspondence (basic correspondence) between price and value and the departure of one from the other. Correspondence between price and value can only be realized when commodity supply is consistent with demand. However, with respect to the market, practice often demonstrates that an absolute balance between supply and demand is rare and virtually nonexistent. Thus, playing a role in the law of supply and demand, prices often depart from value in many ways and "fluctuate up and down" around the axis of value. Therefore, "variable prices for the same commodity" is precisely a manifestation of such a departure and is a common manifestation of the law of value.

Based on the above analysis, we should not regard "variable prices for the same commodity" as an indication of confusion, nor should we equate it with price inflation as it is actually a manifestation of flexibility.

Lastly, we must draw a clear line of demarcation between "variable prices for the same commodity" and "arbitrary price hikes," and practically and realistically differentiate the two. Arbitrary price hikes and disguised price hikes involve reducing quantities and lowering quality so that the two do not correspond, which is tantamount to a price hike in disguise; purchasing at retail and selling higher; arbitrarily increasing prices beyond parameters set by state policies and unilaterally floating prices beyond prescribed levels or for products outside of prescribed categories. These practices are absolutely forbidden by state policy. As long as we clearly distinguish between "variable prices for the same commodity" and "arbitrary price hikes," we run no risk of drifting from the former into the latter.

9335
CSO: 4006/874

FINANCE AND BANKING

BRIEFS

SHANGHAI ISSUES BANK BONDS--According to the 8 September JIAFANG RIBAO, Shanghai Municipality will issue bank bonds within this year amounting to 65 million yuan, of which 15 million yuan in bonds will be sold to individuals in the city proper by the municipal industrial and commercial bank and the other 50 million yuan in bonds will be sold to individuals in the countryside in the suburban districts by the municipal agricultural bank. The bonds are in three denominations of 20, 50 and 100 yuan, the time limit is 1 year and the annual interest rate is 9 percent. This is the first time that bank bonds have been issued by the banks. The issuing of bank bonds in Shanghai at this time is primarily to channel a portion of individual consumption funds in the urban and rural areas and transform it into production funds so that these funds can be fully used in extending special loans. They can also be used to help technological transformation and capital construction projects in collective enterprises in the cities and rural and township enterprises in suburban counties whose products are urgently needed by the general public. Projects promising good economic results can be completed and put into operation by investing small amount of funds and these funds can solve the urgent needs of circulating funds once those projects are finished. The annual interest rate on special loans ranges from 12 to 14 percent. [Text] [Guangzhou GUANGZHOU RIBAO in Chinese 18 Sep 85 p 3] 12662/12859

HEILONGJIANG TAX REVENUE--As of 30 November 1985, Heilongjiang Province had collected 50,055,430,000 yuan in tax revenue, prefulfilling the annual plan by 0.2 percent. If calculated in terms of comparable items, the increase was 501.6 million yuan greater than that of the same period of 1984. [Text] [Harbin HEILONGJIANG RIBAO in Chinese 14 Dec 85 p 1 SK] /9738

GUANGDONG'S SAVINGS DEPOSITS UP--Guangzhou, 10 Jan (XINHUA)--Bank savings deposits were a record four billion yuan last year in Guangdong Province, South China, according to local bank officials. Half the total deposits were entrusted to industrial and commercial banks in the urban areas, and the other half to agricultural banks in the countryside. Total urban deposits at the end of 1985 amounted to 7,410 million yuan, averaging 460 yuan per capita. Since 1982, the annual increase of urban bank deposits in the province has ranked first in China. Guangdong's retail sales were 31 billion yuan last year, a 22 percent increase over 1984. [Text] [Beijing XINHUA in English 1457 GMT 10 Jan 86] /9599

CSO: 4020/188

INDUSTRY

JIANGSU PROVINCE TOP INDUSTRIAL PRODUCER

OW111626 Beijing XINHUA in English 1538 GMT 11 Jan 86

[Text] Nanjing, 11 Jan (XINHUA)--Jinagsu Province reported to have surpassed Shanghai and Liaoning Province in terms of industrial output value to become China's top industrial producer.

Statistics released by the province today indicate that the province's total industrial output value in 1985 amounted to 86,354 million yuan.

The province's industry began to pick up speed from 1980, when rural industries began to spread throughout the province. By the end of last year, its industrial production doubled that of 1980, registering an annual increase of about 14 percent.

Jiangsu is one of China's economically developed provinces, with textile, machinery and chemical industries dominant.

The province's industrial enterprises, especially rural factories, developed rapidly between 1981 and 1985 to more than 100,000 units, ranking first in the country.

Last year saw three of its 11 cities--Suzhou, Wuxi and Nanjing--yield more than 10 billion yuan industrial output value each.

The province's rural industrial output value reached 36 billion yuan last year, accounting for one-third of the province's total.

Jiangsu is one of the priority areas for state capital investment with more than half of the 55 key state projects completed or being built.

These projects include coal mines, petrochemical plants and cement works.

Going side by side with the rapidly developing industry is the agricultural production, flourishing businesses, foreign trade, scientific research and the standards of the people's living.

The average possession of grain per capita has reached 500 kg.

Its total retail sales reached more than 30 billion yuan last year, up 94.2 percent over 1980, or an average increase of 14.2 percent per year since 1981.

The province has set up a chain of export-oriented production centers and established trading relations with 120 countries and regions. Its total import and export volume went up 15 percent a year between 1981 and 1985.

The province has more than 1,000 scientific research findings to its credit, including the prize winning optical fiber studies and transplantation of test-tube seedlings.

The average per capita income in rural and urban areas has increased by 16 and 7 percent, respectively, in real terms over the past 5 years.

/9738
CSO: 4020/172

CONSTRUCTION

DEVELOPMENT OF BUILDING PAINTS IN JIANGSU DISCUSSED

Nanjing XINHUA RIBAO in Chinese 16 Sep 85 p 1

[Article by Shi Jinchang [2457 6930 2490]: "Let Buildings Take Off the 'Grey Uniform' and Put on a New Suit; Jiangsu's Development and Research on Building Paint Progress Rapidly, Ranking First in Variety and Quality in the Country"]

[Text] The many houses and buildings completed for Jiangsu residents in recent years have done away with the "grey uniform" old look in the past. This is the result of the efforts made by scientific research units concerned in Jiangsu in energetically developing and popularizing building paints. According to statistics, up to now, Jiangsu has developed 41 kinds of building paints with an annual output of 30,000 tons, ranking first both in variety and quality in the country.

Building paint with its numerous fine points, such as rich color and luster, adhesiveness, durability and convenience for use in building has become an important trade of the building industry internationally. Jiangsu began its development and manufacturing in the 1970's and large-scale development did not start until 1982. At that time scientific research personnel of the building materials and chemical industrial departments who studied the situation at home and abroad and conducted a social survey felt that with the rising in the people's living standard, the people had also imposed high demands on the appearance of the working and living environment and that replacing the traditional lime and paint with building coating would be a natural trend. With this in mind, they steadily stepped up research in this area up to a certain scale. On this basis, units engaged in scientific research of building paint, production and construction voluntarily got together and formed the provincial scientific and technological information network on building paint. In addition, the provincial scientific commission, the planning and economic commission and the construction commission in June 1984 organized research institutes, universities and factories to form a provincial building paint technological development department to further develop building paint through the close coordination of scientific research, production and application units in tackling key problems in concerted efforts. To ensure the quality of paints, the provincial bureau of standards has asked research institutes concerned to draw up eight criteria governing paints and set up a provincial-level quality supervision and inspection station.

The building paint developed by Jiangsu is of great variety and good quality and has numerous characteristics. The floor coating compound and construction process developed by the Changzhou research institute of building science can process a cement floor by simple means to make it look like marble, wood paneled or carpeted floor which is about eight times more wear-resisting and water-tolerant than conventional paints and the cost is also lower. The traditional waterproofing and heat-insulating materials on house surfaces are of "two felts and three oil's" meaning coated with two layers of felt and three layers of tar which are not only offensive to the eye but also hard to put on. With the help of the Physics Research Institute of the Chinese Academy of Sciences and other units, that institute has developed a kind of paint which is easy to spray with good results. The paint developed by the Suzhou Research Institute of Building Science that produces the effect of multiple decorative patterns can be used to decorate balcony balustrades and windowsills to give the appearance of cermaic tiles with a cost one-fourth lower than that of ceramic tiles.

In the course of popularizing building paints, Jiangsu's scientific research units have adopted numerous ways and forms, such as transfer of technology, setting up joint entities, training personnel for others and jointly or independently operating experimental factories. The provincial research institute of building sciences alone has signed 54 contracts on transferring paint technology with factories both inside and outside the province in the past 2 years and set up five joint entities of scientific research and production with units concerned in Nanjing City, Huaiyang City, Shazhou County, Wujiang County and Jiangyang County and the amount of transactions came to more than 700,000 yuan. The experimental factory of that institute with an annual output of more than 2,000 tons has become Jiangsu's largest paint production factory.

12662/6662
CSO: 4006/82

CONSTRUCTION

ACCELERATED CONSTRUCTION OF ENERGY, TRANSPORT PROJECTS

Beijing JINGJI RIBAO in Chinese 21 Sep 85 p 1

[Article by reporter Xu Haifan [1776 3189 1581]: "Construction of Key Projects in Energy and Transport Has Been Accelerated by Keeping Macroeconomy in Mind and Proceeding From the Overall Situation To Strengthen Capacity in Carrying on Economic Construction"]

[Text] As a result of the priority arrangements made by various departments and regions in providing funds, materials and equipment, the speed of construction of a number of backbone projects in energy and transport whose capacity ensures continuous economic construction in China was generally accelerated from January to August this year. The 1969 key state projects whose construction was organized based on a rational time limit for the projects fulfilled 63 percent of the total investment plan, which was higher than average national level of 59 percent. Owing to the accelerated speed in construction, some projects were completed and put into operation ahead of schedule.

In power construction, the State Council required that the 5-million-kW generating unit be completed and put into operation this year. By the end of August, 950,000 kW had been put into operation and a 72-hour test run is now being conducted on the 600,000-kW generating unit, and the installation of the main body of other generating units to be put into operation according to plan has been completed and readjusted one after another for test runs. Based on the current speed of construction, the planned tasks can be accomplished by the end of the year.

The 14 key mining districts of the coal industry completed a total of 117,000 meters of mine tunneling during the first 8 months of this year, or an increase of 4.5 percent over the same period last year. Of these, the Huaibei Linhuan mine of 1.8-million-ton construction scale is expected to go into operation by the end of this year, 1 year ahead of schedule, due to accelerated construction. Some mining districts have adopted measures to ensure coal production while still under construction. The Yanzishan mine in Datong is scheduled to be completed by 1988, but a mining area has been put into operation this year which is capable of producing more than 400,000 tons of coal.

Six key projects of the petroleum industry completed 7.44 million meters of well drilling from January to August this year which represented 85 percent of the plan, increasing additional crude oil production capacity 7.9 million tons or 70 percent of the annual plan. In addition, 18 key railway projects fulfilled annual investment by 70 percent. The 310-km-long Beijing-Qinhuangdao railway for transporting Shanxi coal out to other places has been opened to traffic; except for the Huang He bridge, track laying of the main line of the Xinjiang-Heze(?) [Xin He 2450 3235] railway has been completed and will be turned over for operation by the end of the year.

The construction of the Beijing-Wuhan-Guangzhou coaxial cable postal and telecommunications project originally scheduled to be finished by 1987 has been basically completed and the whole line will be completed in the third quarter this year. This 2,700-kim-long line passing through 17 cities is the second major cable carrier telecommunication line in China.

Of the 35 key projects of the 6 raw material industries, including the iron and steel, nonferrous metal, chemical, petrochemical, building materials and forest industries, 9 have been put into operation, and the construction of other projects is new at its peak. The technological production process of the second-phase project of the Shanghai petrochemical general plant has been completed and has started production; the ignition of the No 1 blast furnace under the first-phase project of the Shanghai Baoshan iron and steel complex on 15 September, on which the attention of the people throughout the country focused, was successful and products measuring up to the required standards were produced.

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CSO: 4006/82

CONSTRUCTION

SUCCESS OF BAOSHAN STEEL COMPLEX DISCUSSED

Beijing JINGJI RIBAO in Chinese 27 Nov 85 p 3

[Article by Cheng Yuan [4453 6678]: "Successful Example of Construction of a Key Project; Interview with Shi Qirong, Director of the Joint Office of the Baoshan Steel Complex Project of the State Planning Commission and the State Economic Commission"]

[Text] The Baoshan Iron and Steel Complex has linked hearts with the people throughout the country, for 7 years, its frowns and smiles have invariably brought joy and anxiety to 1 billion people. The first phase of the project was triumphantly completed and put into trial production on 15 September this year and the results were found satisfactory. By 10 November, it had produced 272,000 tons of iron, 164,000 tons of steel and 116,000 tons of marketable ingots, thus beginning to yield investment results. Recently we had an interview with Comrade Shi Qirong [4258 0796 2837], director of the Joint Office of the Baoshan Steel Complex Project of the State Planning Commission and the State Economic Commission and asked him to talk about the progress of the construction of the Baoshan Iron and Steel Complex and related experiences.

Comrade Shi Qirong who engaged in capital construction planning and administration work for a long time has also spent considerable time in actual and leading work in the iron and steel industry. Touching on the progress of construction and the Baoshan Iron and Steel Complex, he said, the iron and steel industry is one of the infrastructure industries to be developed with priority. In 1978, the whole country produced 31 million tons of steel which were far from satisfying the needs in various fields. By relying on imports, an enormous amount of foreign exchange has to be spent each year. To solve this problem, besides carrying out technological transformation of old enterprises, it is necessary to build a few new iron and steel plants at the same time. It was under these circumstances that the decision to construct the Baoshan Iron and Steel Complex was made. During the early period of construction, due to overanxiousness for quick results, "rush construction" was emphasized, some foreign exchange was spent unnecessarily when certain materials that could be supplied and equipment that could be manufactured domestically were also imported because insufficient proof of feasibility was presented. In 1981, in the course of national economic readjustment, construction of the Baoshan

Iron and Steel Complex was postponed, only after experts determined that construction should be done in stages that construction of the Baoshan Iron and Steel Complex was able to progress steadily.

Touching on the plant site of the Baoshan Iron and Steel Complex, Shi Qirong said that at the beginning an on-the-spot investigation was conducted in several places along the coast, including Shanghai, Zhejiang and Shandong, from which it was found that each place had its advantages and disadvantages. However, it was finally concluded that it would be better to have it built in Shanghai. Building it in Shanghai will be advantageous for accelerating the construction of the Baoshan Iron and Steel Complex and for production management after it is completed and put into operation. Because we were worried about Shanghai's topographical foundation, which was considered too soft at that time, we invited experts to give testimony and do some calculations, and they were of the opinion that the matter could be completely solved by applying modern science and technology. The Baoshan Iron and Steel Complex would not sink into the Chang Jiang. This was the view of Chinese and foreign experts after studying the situation. Since the mineral ores being consumed by the Baoshan Iron and Steel Complex mainly rely on imports, we should take this matter into consideration by proceeding from the national conditions. Although our country has tremendous iron ore deposits, more than 90 percent are lean ores which would cost more money and take longer to develop than our national financial resources can bear. However, an analysis of mineral ore production in the international market shows that it is worthwhile to import mineral ores because much time can be gained by so doing.

Comrade Shi Qirong then briefed us on the Baoshan Iron and Steel Complex's technology and equipment. He said, generally speaking, the technology imported by the Baoshan Iron and Steel Complex is advanced and compared with the existing iron and steel enterprises in the country, its equipment is characterized by huge size, continuity in operation and automation. The Baoshan Iron and Steel Complex's 4,063-cubic-meter blast furnace, the 300-ton oxygen top-blown convertor and the 450-meter sintering machine are the biggest equipment of the same categories in the country. In addition, the 19 electronic computers, the more than 200 microprocessors and the more than 60,000 automatic control meters have ensured the best form of operations in production to attain the goal of higher output, better quality and lower consumption. The first-phase project of the Baoshan Iron and Steel Complex consumes 0.9 ton of standard coal for each ton of steel reaching the international advanced level. On the other hand, the domestic level is close to 1.3 tons of standard coal.

At the beginning, people were extremely concerned about the serious pollution that would be produced in the Shanghai city limits after the completion of the Baoshan Iron and Steel Complex. In this connection, this reporter specifically asked Comrade Shi Qirong to fill him in on how the Baoshan Iron and Steel Complex would protect the environment. Comrade Shi Qirong said that the first-phase project contained 165 installations for environmental protection and that an automatic environmental monitoring system had also been established. The Baoshan Iron and Steel Complex's smoke and gas emissions measured from 50 to 100 mg per cubic meter in dust contents, which is better than the standard of 150 mg set by the state. The circulation rate of water for industrial use reached 95 percent.

Touching on the role of Baoshan Iron and Steel Complex in the development of the iron and steel industry and the four modernizations drive in our country, Comrade Shi Qirong said the Baoshan Iron and Steel Complex, equipped with advanced technology, had reached the international level in the late 1970's. By mastering and applying the imported technology, it has provided experience for use as reference by the old enterprises in technological transformation and also trained large numbers of specialized personnel equipped with modern management knowledge, thereby bringing up the technological and management level of China's iron and steel industry and other pertinent professions and trades and promoting national economic development. In this sense, the construction of the Baoshan Iron and Steel Complex is of realistic and far-reaching significance. The quality of all products turned out by the Baoshan Iron and Steel Complex is matching the international advanced level, and products such as petroleum pipes and boiler pipes, are critically short at home and are being imported in large quantities. To a certain extent, it has eased the acute shortage of rolled steel and also filled some blank spots of varieties of rolled steel in the country.

The construction of the Baoshan Iron and Steel Complex represents a successful example of the construction of a key project in China. In describing the experience in constructing the Baoshan Iron and Steel Complex, Comrade Shi Qirong said that network planning and management techniques were employed throughout. Construction involved 22 major projects with foreign contractors, plus domestic conveyance systems, 1,152 projects in all whose order of priority strictly observed the progress chart. In the meantime, attention was paid to discovering weak links and steadily achieving a balance. We did not fight a disorderly battle nor did we proceed with caution. The headquarters of the Baoshan Iron and Steel Complex project had done a great deal of work in keeping pace with the entire construction progress from beginning to end, thereby ensuring its completion and putting it into operation according to schedule.

Strict and harsh demands were imposed in the course of construction to ensure engineering quality. There were four quality inspections a year, so it is not fortuitous that so many quality projects were completed. Coordination is of great importance in undertaking such a mammoth project as the Baoshan Iron and Steel Complex, which has involved not only numerous provinces, municipalities and central departments, but also many more factories. Construction could not have progressed so smoothly without the support of the people throughout the country and the coordination and cooperation of so many departments, provinces and municipalities. To resolve the problem of unrestrained "spending" the Baoshan Iron and Steel Complex has since 1982 been undertaking budgetary estimates for investments, and has achieved success. Investments in the first phase of the project totaled 12,877,000,000 yuan, of which 4.5 billion yuan came from domestic investment. The headquarters of the Baoshan project committed itself to take responsibility for 3.86 billion yuan, thus saving the state 190 million yuan. This commitment was fulfilled after 5 years of hard work. This is something very rarely seen in the construction of huge projects at home.

At the end, Comrade Shi Qirong told us, while the Baoshan Iron and Steel Complex project has progressed in 7 years, many further changes have taken place in iron and steel technology in the world, such that new gaps in certain links have again appeared in the Baoshan Iron and Steel Complex, which is not unusual. Workers and staff members at Baoshan are now making further efforts to raise the technological level and the quality of the rank and file in keeping with the spirit of Comrade Deng Xiaoping's inscription: "To master new technology, be good at studying and even better at creating new things" to keep the Baoshan Iron and Steel Complex young always. Construction of the second phase of the project is now underway. We must follow up the experience of first-phase construction and build the second phase with good quality and with high efficiency by working ceaselessly and unremittingly. We must not only build the Baoshan Iron and Steel Complex efficiently, we must also manage it properly so as to produce more quality products for the state and steadily raise economic results.

12662/9604
CSO: 4006/426

CONSTRUCTION

COMPLETION OF JIUJIANG BRIDGE IN JIANGXI URGED

Hong Kong TA KUNG PAO in Chinese 4 Dec 85 p 3

[Article: "Construction of the Jiujiang Bridge on the Chang Jiang Between Nanjing and Wuhan To Continue; Jiangxi's Jiujiang Will Become a Second Wuhan; Nine Piers Appear in Mid-River, Experts Meet To Raise Funds for Completing Project"]

[Text] Jiujiang--Jiangxi's Jiujiang bridge construction project now at a standstill has aroused the attention of some experts. At the Jiujiang City testimonial meeting on economic and social development strategy and the Jiangxi provincial testimonial meeting on territorial economy, noted economist Yu Guangyuan [0060 0342 6678] pointed out that once the Jiujiang bridge is erected and once the proposed Beijing-Jiujiang railway and the Daye-Shahe railway are linked, Jiujiang will become a "second Wuhan" in the middle reaches of the Chang Jiang and will play a positive role in developing the economies of Jiangxi, eastern Hubei, and southern Anhui.

Most of the projects of the Jiujiang bridge have now been completed. The nine piers standing prodigiously in the middle of the river and the parabolic railway and highway bridge approaches constitute an exquisite and harmonious landscape along the riverbank. This "passage over the natural moat" between Wuhan and Nanjing will be completed as soon as the steel beams are erected and rails are laid. However, the entire project is now at a standstill and the bridge builders have become a maintenance crew. It is estimated that more than 2 million yuan have to be spent each year for its upkeep and maintenance.

Well-known bridge expert Mao Yisheng [5403 0110 0581], who came here on an inspection tour, indicated after comparing the advantages and disadvantages of different plans that this project should be completed as soon as possible in order to avoid bigger economic losses.

It is reported that Jiangxi, Hubei and Anhui provinces have initiated consultation on fundraising to carry on the building of the Jiujiang bridge and are planning to see this project start well and end well with the approval and support of the central departments.

After the bridge is completed and before the Beijing-Jiujiang railway is connected (missing is the Hefei-Jiujiang section), this bridge will be temporarily used as a highway bridge, thus the three provinces and areas on both banks of the Chang Jiang can be linked up economically without delay. Once the Beijing-Jiujiang line is completed, the dream cherished by the people in the old revolutionary area in southern Jiangxi of having the Xiangxi-Ganzhou railway will come true, Beijing and Jinggangshan will be directly linked through the Beijing-Jiujiang line and the Nanchang-Jiujiang line by crossing over the Zhejiang-Jiangxi line. If further extended southward to Shaoguan in the future, a new Beijing-Guangzhou railway with outstanding economic results will stretch over the good earth of Jiangxi and Guangdong provinces.

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CSO: 4006/426

CONSTRUCTION

HUNAN'S SEVENTH 5-YEAR PLAN DISCUSSED

Changsha HUNAN JINGJI XINXI BAO in Chinese 3 Aug 85 p 1

[Article by Zou Yimou [6760 6318 6180]: "Suit the Needs of the New Situation, Draw Up the Seventh 5-Year Plan Well; Vice Hunan Governor Chen Bangzhou Emphasizes at Provincial Symposium on Seventh 5-Year Plan: In the Process of Drawing Up the Seventh 5-Year Plan, It Is Imperative To Understand and Analyze the Situation With "Dynamic" Viewpoint Instead of Looking Upon Matters in a Static Way"]

[Text] Vice Governor Chen Bangzhu [7715 6721 2691] said at the provincial symposium on the Seventh 5-Year Plan, China's national economic and social development will soon enter into the period of the Seventh 5-Year Plan after comprehensively fulfilling and overfulfilling the Sixth 5-Year Plan.

Chen Bangzhu said that the Seventh 5-Year Plan period is a crucial period in which the reform of the socialist economic, scientific and technological and educational systems is to be carried out comprehensively, it is also a period of great importance in achieving the targets of struggle put forth by the 12th CPC Congress. Successfully drawing up the Seventh 5-Year Plan, therefore, is of vital significance in consolidating and developing the excellent situation for economic construction and in economic invigoration in the 1990's. Drawing up the Seventh 5-Year Plan is the second of the four cardinal tasks that the whole party have to fulfill this year. The provincial CPC committee and the provincial government have studied the matters many times, and the Fifth Provincial CPC Congress has also put forth the targets of struggle to bring up the total industrial and agricultural output value of the whole province to 65 billion yuan by 1990, to strive to double it by 1989, to attain the per capita national income of 700 yuan and to keep the population under control within 59.6 million. All these targets are to reached while raising the economic results. Economic construction in our province under the Seventh 5-Year Plan should be further geared toward a new path so that the speed can be realistically achieved, results are improved and the people can receive more material benefits. While invigorating the economy, it is imperative to set up a system to exercise macroeconomic control, bring relations into better balance and achieve a benign cycle. While doing a good job in reforming the economic system with the cities as the key, we must persevere in the policy of opening to the outside world and invigorating the domestic economy more boldly in keeping with the demands arising from the development of the commodity economy. We must readjust the production structure, transform traditional industries and develop new and rising industries and the tertiary industry; we must centralize funds to accelerate construction in the fields of energy, transport and raw materials that are in short supply and build up the necessary capacity to carry on in the 1990's; we must make use of the existing infrastructures and accelerate the technological transformation of enterprises; we must expand export in foreign trade and increase foreign exchange receipts; we must pay special attention to science and technology and personnel training and tive play to personnel in various capacities; we must further develop various social projects.

The Seventh 5-Year Plan covers an extensive area, involves a great deal of work and time is very pressing, thus we need to organize forces from all sectors to carry it out. Various prefectures, autonomous prefectures and municipalities should each have a commissioner, magistrate and mayor, various departments and bureaus concerned should each have a director to specifically concentrate on this important work and set up and perfect the Seventh 5-Year Plan leading groups.

In the course of drawing up the Seventh 5-Year Plan, we should understand and analyze the situation with a "dynamic" viewpoint and cannot look at issues in a static way. We should fully appraise all kinds of favorable conditions around us and the tremendous potential in various areas and oppose following the old ways while in the meantime fully reckoning all kinds of unfavorable conditions and difficulties that may develop, insisting on seeking truth from facts and acting according to our own capability. Our plan should leave some leeway and should guard against unrealistically going after high targets. We should achieve a general balance effectively, link up the higher and lower levels harmoniously, solicit opinions from all sides and combine the traditional method with the modern forecasting method so as to make the plan more scientific.

12662/6662
CSO: 4006/93

CONSTRUCTION

BRIEFS

SICHUAN HIGHWAY REPAIR PLAN--The Sichuan provincial communications department is adopting measures to finish repairing the road surface of three very deteriorated highways in a determined effort within a short period of time so as to facilitate economic development in the hilly regions. These highways are the Suining-Lezhi, Naxi-Xuyong and Beichuan-Pingwu highways. According to the arrangement of the provincial communications department, in repairing the Suining-Lezhi highway, it is planned that the 5-km section in the worst shape will be bedded with sand pebbles this year and will be paved with asphalt rocks next year. Repair will be started in most of the other sections next year and efforts will be made to complete the entire repair project at an early date. The Suining section maintaining this highway section is in charge of the repair project. On the Naxi-Xuyong highway, a stretch of 10 km has to be widened and renovated. The communications department has decided that the engineering team of the Yibin road maintenance general section will be in charge of this project. In regard to the several places where vehicles have bogged down more frequently, efforts should be made to drain off water and pave with slabs and crushed rocks so as to keep traffic open. Another 17-km section has an oiled surface that needs to be repaired. At present, a bed layer has been laid and a leveling layer with crushed rocks will be added and completed within this year. A plan has been made to repair another 6-km section where the oiled layer is peeling off and exposing the bedrock. Work is also underway for the repair of the Beichuan-Pingwu highway covering a distance of 19 km. [Text] [Chengdu SICHUAN RIBAO in Chinese 16 Sep 85 p 1] 12662/6662

CSO: 4006/93

CHINA'S TECHNOLOGY IMPORT POLICY UNCHANGED

Beijing RENMIN RIBAO (OVERSEAS EDITION) in Chinese 1 Oct 85 p 2

[Article by Wang Xidong [3769 2569 2639] and Shi Chunzhi [2457 4783 1807]: "Our Country's Technology Import Policy Is Unchanged: Implementation of Contract Approval Procedures Will Expedite Development of Technology Import Work"]

[Text] Once approved by the State Council and issued by the Trade Ministry, the "Approval Procedures for Contracts Involving Technology Imports" will begin to take effect on 1 October. Just prior to that time, reporters visited with the vice director of the Technology Import/Export Economic Trade Bureau.

This official pointed out that the purpose of the "Procedures" is to strengthen technological cooperation between Chinese and foreign interests and to expedite the growth of foreign technological imports. He said that the "Procedures'" legal form is designed to dispel doubts foreign interests might have with regard to transferring technology to China; it safeguards and guarantees the legal rights and interests of Chinese and foreign enterprises.

The "Approval Procedures for Contracts Involving Technology Imports" stipulates that any sector signing a contract that involves the importation of technology must go through government approval procedures. The purpose of this is to catch any potential unreasonable conditions in such contracts in a final examination, thus protecting the enterprise interests. At the same time, this process will ensure that the contract has a definite legal status.

This official said that once a contract involving technology imports has secured government approval, the domestic and foreign enterprises signing the contract must proceed in all matters according to the law, and not unilaterally renege on any part of a government-approved contract. In this way, we will be able to increase the importance of such documents and ensure their legal protection as well, which is in the best interests of both sides.

He said that in order to increase the effectiveness of the work of approving such contracts, and in order to exercise the functions of local economic and trade departments, the country will not be concentrating approval authority centrally, but rather will distribute such authority in various degrees according to the level of administrative authority, granting approval authority to local areas and thereby encouraging their enthusiasm.

He pointed out that in the past there were a number of cases in which enterprises who were not aware had signed contracts not submitted to them for government approval and it was found later that these contracts in fact violated the law. There were also other places that had cases of an excessive number of imports or redundant items, thus resulting in a waste of our country's foreign currency reserves. Instituting government approval procedures will be a great help in strengthening the direction of and organizing our country's enterprises and will give full reign to technology importing, thus increasing cost effectiveness.

China currently has 400,000 enterprises that are in need of technological improvement, and the range of Sino-foreign technological cooperation is quite broad. From 1981 to the present, there have already been 1,300 plans involving technological imports with a volume of $4.6 billion that have been approved by the Ministry of Foreign Economic Relations and Trade alone, and of those 66 percent were contracts signed with Japan, the United States, and West Germany. The primary kind of technology involved mechanics, electronics, light textiles, construction, chemicals, etc.

This official stressed that importing advanced technology is a long-term policy in China and will not change. China not only abides by the relevant stipulations of the "Patent Laws," but at the same time recognizes the proprietary technological rights of enterprises and individuals.

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FOREIGN TRADE AND INVESTMENT

JAPAN'S RELUCTANCE TO EXPORT TECHNOLOGY ANALYZED

Hong Kong JINGJI DAOBAO [ECONOMIC REPORTER] in Chinese No 48, 2 Dec 85
pp 48-49

[Article by Tian Liwei [3944 0504 4885]: "An Important Problem Demanding Prompt Solution in Chinese-Japanese Technological Trade"]

[Text] Japan is one of China's major partners in technology exchanges. Statistics show that the monetary value of contracts signed between China and Japan for the importation of equipment and technology over the past 10 years has accounted for one-third and one-half respectively of the total monetary value of all contracts signed between China and foreign countries. Between 1973 and 1984, China used foreign exchange to import 319 kinds of equipment and technology from Japan, these transactions amounting to nearly $6 billion. Technology exchanges between China and Japan hold advantages in terms of "time, geographical propinquity and cultural similarities." Potential is great and prospects are excellent for expanding technological exchange and promoting comprehensive development of economic and trade relations.

There can be no denying, however, that quite a few problems still exist in technological exchange between the two countries. This has shown up rather notably in quite a few Japanese enterprises' protracted conservative and negative attitudes toward technological transfers to China. Statistics show that in the course of technological exchange between China and West Germany and the United States in recent years, the ratio of contracts primarily for importation of equipment and technology was 1:1, and the ratio of monetary value was 25:1. In technological exchange with Japan, however, these two ratios were 3:1 and 118:1 respectively. This is to say that for every three technology exchange contracts and for every $118 of technology transactions, only one contract and $1 were primarily for the importation of "software" technology. [JPRS note: The term ruanjian [6516 0115], software, does not fit this context, which seems to call for disembodied technology in general. Ruanjian is placed in quotation marks throughout the original text, with one exception. See expansion below in paragraph six of this article.] A look at the actual process of technology exchanges by enterprises from both countries shows that it was very common for quite a few Japanese enterprises not to want to transfer technology. Typically, this showed up in the following ways: (1) Directly or indirectly under one pretext or another to refuse transfers. For example, in 1984 a Chinese company inquired about the price for importating plexiglass manufacturing technology only to have the Japanese firm refuse to provide it on grounds of "too small-scale production." (2) Some businesses wanted to transfer the technology, only to encounter reproach from other businesses that resulted in their refusal. (3) Asking a high price, when actually they did not want to transfer the technology. Sometimes the quoted price for "software" was as much as 100 time higher than the quoted price of other countries. Such examples were fairly numerous. (4) Sometimes the Japanese firms changed their original attitude once they saw transfers by businesses in other countries, agreeing then to transfer the technology. Technology for the manufacture of color photographic film is a case in point. (5) In some cases, not only was the quoted price high, but harsh terms were attached. An example was the requirement in transfer contracts that Chinese businesses would never export "goods covered by the contract" and would forever keep secret the technology. Chinese businesses reacted rather sharply to this requirement.

The appearance of these problems is directly related to the existence of a one-sided understanding and a suspicious attitude on the part of some Japanese businesses on the basic issue of transferring technology to China.

First of all, the guiding ideology among some Japanese firms about developing economic and trade relations with China is very one-sided. According to a report in the 6 August 1984 issue of NIHON KEIZAI SHIMBUN, a "survey of views on the Asian market" conducted among 160 major Japanese businesses involved in the Asia market showed that Japanese enterprises' "main reason for their growing interest in Asia is not to make it a production base, but rather to make it a consumer market." Most of these businesses have close economic and trade ties with China, and the aforestated conclusions also directly reflect their basic attitude toward the China market. It should be pointed out that not only is China a huge consumer market, but it it also a technology market that holds tremendous potential demand. Realization of national economic development goals will require that China bolster development of energy and transportation, geological prospecting, electronics and communications, machine industries and other burgeoning industries.

During the period of the Seventh 5-Year Plan, in addition to continued building and new building of some major large scale projects, nearly 400,000 state-owned business will have to undergo technical transformation, while the level of production technology in coastal areas is also in dire need of improvement. Surveys conducted during the past 2 years show that approximately 60 percent of mechanical and electrical products and more than 70 percent of light industrial products are of 1950's to 1960's vintage, necessitating importation of large amounts of advanced foreign technology, including a large dose of "software" technology. Foreign statistics on 15 developing countries during the late 1960's and 1970 show an annual expenditure for software that is generally equal to 4 percent of foreign exchange received from exports. These statistics included Mexico with 16 percent, while the amount is still less than 1 percent for China. On the basis of the potential of the Chinese technology market, if it reaches 5 percent, that will amount to more than $1.2 billion, which still is not a large figure. Clearly, the guiding thought among some Japanese businesses to pay attention only to the development of commodity trade with China to the neglect of technological exchange is inconsistent with the situation in China and is also inconsistent with the principle of equality and mutual benefit in developing economic relations between the two countries, and will have a deleterious effect on future expansion of Chinese-Japanese technical exchanges.

Second, some Japanese businesses have a positive attitude about exporting machinery and production lines to China, but they maintain a suspicious, wait-and-see attitude regarding transfer of technology. In recent years, some Chinese businesses have been anxious to import whole plants, individual pieces of machinery, and production lines rather than emphasize the importation of technology. While many businesses have used the country's foreign exchange to import technology, 80 percent of them still use it to import machinery, so the percentage of equipment manufacturing technology and production technology and techniques has been fairly small. Numerous places and units have spent very much foreign exchange in the ill-advised importation of assembly lines to produce household electrical appliances such as color television sets, refrigerators and washing machines. These situations have arisen because some enterprises have not strictly observed state regulations or conducted strict management checks. They were temporary mistakes. One has to realize that ever since the late 1970's, marked readjustments were made in China's technology import policies from the former importation of whole plants to importation of technology for the most part, which took the form mostly of licensed trade, advice and consultation, technical services, and cooperative production to obtain "software" technology such as patents or other permits for industrial property rights, transfers of specialized technology, provision of technical services, and administration and management. This change was necessitated by the objective laws of the development of China's economy. On the one hand, China had already developed a fairly complete industrial system, had a certain size technical corps with a certain level of technology, and its ability to manufacture machinery had also improved over what it had been. In addition, the China market for technology was very large and the amount of foreign exchange limited. Under these circumstances, it could only take the route of importing primarily technology. This has been the common experience of many countries, Japan among them.

In view of the various problems that occurred in technology importation such as too many organizations dealing with foreign countries and too large a proportion of machinery being imported, the pertinent authorities adopted a series of appropriate managerial actions. For example, they formulated a system of priorities for the importation of technology; strictly controlled importation of assembly lines for household electrical appliances; restricted unnecessary and duplicatory fact-finding trips abroad and redundant importation of equipment; improved transmission of data about technology markets abroad, improved training of a technology exchange corps; reorganized relevant trading companies, etc. They also promulgated national "technology import contract management regulations" and intensified examination and approval of technology import contracts. Experience has thus privided Chinese businesses with a fairly complete understanding of national policies on importing technology. Facts have shown that China's pursuit of a technology-first import policy will achieve rapid implementation and execution.

Third, some Japanese businesses worry that once technology has been transferred to China, the recipient will spread it around indiscriminately. Such apprehensions are unnecessary. In recent years, China has substantially perfected legislation pertaining to technical exchange. It has promulgated various laws including the "patent law," the "trademark law," and "regulations on management of technology import contracts." It has been a formal participant in the "Paris Treaty on Protection of Industrial Property Rights," and has upheld its responsibilities in protecting industrial property rights. With reform of the domestic economic system, separation of government and enterprise, businesses being responsible for their own profits and losses, and encouragement of sensible competition, enterprises will give all the more attention to protecting their competitive position in the fields of production and marketing. The domestic technology exchange market for compensated transfer of technology has already become an important means for transferring technology among enterprises. The so-called "one enterprise imports and 100 enterprises benefit" situation was an extremely isolated exception in the past that will be halted in the future.

Fourth, transferring technology to China may create a powerful competitor, which seriously concerns some Japanese businesses. China's emphasis on the importation of technology has as its most fundamental goal a rapid rise in the level of production technology. Certainly, this is a competitive issue, and in some cases the latecomers may surpass the oldtimers. However, in an overall sense, increasing the level of China's production technology will be advantageous for other countries, particularly Japan. Importation of advanced foreign technology will strengthen China's weak links in energy, transportation, electronics and communications, raise the level of domestic production, strengthen the competitiveness of export products and expand exports and foreign exchange earnings. All these things will help China develop economic and trade relations on a higher level with all the countries of the world including Japan, and will help in carrying out the open door policy for a long time to come.

Development of Chinese-Japanese technology exchange is a strategic issue that bears on the consolidation and development of economic and trade relations between the two countries, and this is a matter to which the knowledgeable in business circles in both countries should devote a high degree of serious attention. It is well known that technology exchange relationships have historically been an important basis for evaluating and balancing economic and trade relationships as well as political and diplomatic relations between countries. In the case of economic and trade relations alone, the steadily expanding adverse balance of trade for China in Chinese-Japanese trade has aroused the concern of all parties. As far as Japanese businesses are concerned, active transfers of technology to China help promote improvement in the quality of Chinese products and strengthen Japanese export capacity. It helps China solve its trade deficit problem and will give impetus to long-term development of economic and trade relations between both parties. Conversely, if China is regarded solely as a consumer market, and the only thought is how to enter it and take it over with no concern for assuming responsibility for helping China develop its production, this will hinder both the development of technology exchange and of the economy and trade as a whole. One must also realize that technology knows no national boundaries. Today when technology develops with increasing speed, when the field of exchange expands increasingly, and when data transmission techniques are highly modernized, no country or business can monopolize technology for long. One country's technology may be possessed by another, which may even have had it longer and in a more refined state. For a country like Japan that has imported other countries' technology for so long, and whose source of so much technology has derived elsewhere, it will be even more difficult to maintain a monopoly for a long period of time. Today China's place in the international technology market has improved greatly from what it had been. On the one hand, China's domestic political situation is stable; its economy is developing; its foreign exchange receipts are increasing; and it capacity both to pay for and make repayment for imported technology is at an all-time high. At the same time, the countries of the world are giving increasing attention to development of technology exchange relationships and economic cooperation with China. Western countries have liberalized restrictions on the exports of technology to China. China has a choice in the widespread international technology markets, and conditions exist as never before for it to import the technology it needs. Under these circumstances, we will, as always, set great store by the technology exchange relations that China and Japan have fostered for a long time, and we earnestly hope that some Japanese businesses will be able to clear away roadblocks in their thinking, will take an overall view, will act realistically, and will help in the joint promotion of forward development of technology exchanges between the two countries.

9432
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SPECIAL ECONOMIC ZONES

SHENZHEN'S GUIDANCE PLANNING SYSTEM DISCUSSED

Guangzhou GANG AO JINGJI [HONG KONG AND MACAO ECONOMIC DIGEST] in Chinese No 10, 25 Oct 85 pp 28-31

[Article by Liu Zhigeng [0491 1807 1649] of Shenzhen Municipal Social and Economic Development Commission: "Implementation of Guidance Plans in Shenzhen SEZ Studied"]

[Text] To meet the requirements of SEZ construction, Shenzhen SEZ has carried out a series of reforms in the methods, means and forms of planning, in the target system and in the organization of management, with certain success particularly in the study and practice of implementing guidance plans.

I. Implementation of Guidance Plans as an Objective Certainty

The most important reason for Shenzhen SEZ to implement guidance plans is that its ownership structure is of many levels, its construction funds come from many sources, its products are sold through many channels, and its economic activities are regulated in many forms, apart from the uneven standards of socialized production and the independence of the economic units in material interests. Under such conditions, in the formulation and implementation of the state and the municipal government plans, we must seriously consider the law of value and attach great importance to the regulative role of the market. To be specific, whether the SEZ's planning is realistic or not has to be reflected in the realm of value. The plans must also be properly implemented through the use of economic levers and the market mechanism in order to regulate the relations of the interests of various quarters. At the same time, because of the high complexity and frequent changes in the SEZ's social and economic activities, which make the social needs at home and abroad difficult to predict, it would be impossible and unnecessary for the state to work out detailed and concrete regulations for all economic activities. These regulations would be unrealistic and might sap the vitality of the enterprises and hinder the development of the productive forces. To demonstrate the SEZ's quality as an integral unit in which different economic forms coexist under the domination of state capitalism and the leadership of a socialist state; to meet the objective demands of the law of value and the market mechanism in planned management as well as the innate requirements for increasing the enterprises' vitality, pressure and motive power in order to invigorate the SEZ's economy; to raise the scientific standard and increase the effectiveness of planned management of the SEZ; and to suit the SEZ's change to a foreign-oriented type, the implementation of guidance plans is entirely necessary.

Since the establishment of Shenzhen SEZ, the scope of mandatory plans has continued to decline, while that of guidance plans has continued to expand. At present, more than 80 percent of the plans implemented in the SEZ are guidance plans. The mandatory plans for agricultural production were abolished soon after the SEZ's establishment, and guidance plans were used even for industry. From 1980 to 1984, a capital construction investment of 3.5 billion yuan was used. Of this amount, more than 2.9 billion yuan, 83.2 percent, was provided under guidance plans. All the plans for transportation, posts and telecommunications, commodity circulation, cultural, educational and public health services, scientific and technological pursuits were guidance plans having the characteristics of some prediction. These plans are not coercive or authoritative like mandatory plans; they are open to consultation according to the requirements of the tasks. In implementation, they are adaptable and flexible and play their regulative role only through indirect and economic means. Although the targets and demands are spelled out in the plans, only the directions, the call for action, and the expectation for success are given. They indicate the goal for the municipality, and serve as the basis of the enterprises' planning in production.

To create a good investment environment, to ensure the success of the key projects, to speed up capital construction, and to import advanced technologies and scientific management methods to be turned into productive forces as soon as possible, very few mandatory targets have been set, mostly in the sphere of distribution. For state revenues and expenditures, foreign currency receipts and payments under unified municipal control, and capital construction projects with state or municipal investment, mandatory targets are necessary, but only for the time being. Along with the development and changes in the objective economic conditions, they will be revised and gradually abolished, and the scope of guidance plans will be enlarged to the maximum extent.

II. Acceptance of State Macroeconomic Guidance by the SEZ

SEZ's were established according to the wise decision of the party Central Committee and the State Council as an outcome of the open door policy. Their objective is not only to develop themselves, but also to meet the requirements of the four modernizations drive by playing their role as "windows of knowledge, of technology, of management and of the open door policy." That is why the SEZ's must develop in a way suitable for the planned commodity economy of socialist China. It is thus imperative that the economic development in these special zones by governed by China's socialist plans; otherwise, it will be difficult to guarantee the correct orientation of their development or the attainment of the strategic objective. This is one of the reasons for the SEZ's to accept the guidance of the state's macroeconomic planning.

Another reason is that the economic and social development plans of the SEZ's must embody the requirements of national economic development. For this reason, the key and priority projects concerning the overall situation must be approved by the state.

Still another reason is that the SEZ's economy is only part of the overall national economy, and there is an interdependence between it and the inland economy. It is, therefore, necessary for the SEZ to develop extensive relations with the inland in matters of construction funds, technology and personnel, and these relations should be maintained in a planned way.

Since its inception, Shenzhen SEZ has correctly handled the relationship between the part and the whole and willingly accepted the state's macroeconomic guidance so that it could embody the state's interests and demands. The substance of its acceptance of guidance is as follows:

First, in working out its long- and medium-range plans and annual plans for economic and social development, the SEZ has paid attention to their consistency with state and provincial plans and programs and their inclusion in the state and provincial plans to varying extents. These plans should also be approved by the state and the province. The "Outline of the Program for the Social and Economic Development of Shenzhen (1980-2000)," Shenzhen's Sixth 5-Year Plan, Shenzhen's Seventh 5-Year Plan, and each of its annual plans have been carefully coordinated with the state and provincial plans and programs, and were reported to the state and the province for approval before their implementation.

Second, all large construction projects in the SEZ are reported to the provincial and state planning commissions for approval according to the state's "three, five, and one" stipulations (that is, when they are light industry projects requiring an investment of more than 30 million yuan; heavy industry projects requiring an investment of more than 50 million yuan; and other projects requiring more than 100 million yuan). All such large projects as the Dayawan Nuclear Power Station, the Shenzhen International Airport, and the Shenzhen SEZ Administrative Building, were reported and approved before the work began.

Third, the wage reform plan and the readjustment of some related planned prices were also approved by the provincial and state authorities before being carried out.

Fourth, the marketing of SEZ products at home, the exporting of products under a quota system, and the purchase of SEZ products in the domestic market to be exported later, are all included in state plans.

Fifth, the detailed rules and regulations for SEZ administration, the methods, steps and schedules for the issuance of currency in the SEZ and the setting of exchange rates were all approved by the party Central Committee and the State Council before their implementation.

III. SEZ's Macroeconomic Guidance in Social and Economic Development

The SEZ's development is not only governed by state planning, but also subjected, more frequently and to a larger extent, to the macroeconomic guidance of the SEZ government, especially in the following respects:

First, guidance to long- and medium-range planning. These plans have the characteristics of a prediction of social and economic development. Though not binding in nature, they are nevertheless significant in providing guidance for the enterprises' production and business operations and serving as some reference material for foreign investment. That is why the SEZ must proceed from realities and shift the focus of its planning from the compilation, implementation, review and readjustment of annual plans to the study and drafting of long- and medium-range plans. Since 1982, it has compiled the "Outline of Program for the Social and Economic Development of Shenzhen SEZ," Shenzhen SEZ's Sixth 5-Year Plan

(Draft), and Shenzhen SEZ's Seventh 5-Year Plan (Draft). Recently, its Seventh 5-Year Plan was revised to meet the requirements of the SEZ's social and economic development strategy. The problems in complying with the strategy were thus initially solved and the development of the enterprises will proceed according to the plan.

Second, regulation with economic levers. Economic levers are the principal means for the implementation of guidance plans. Along with the continued reduction in the scope of mandatory plans and the continued enlargement of that of guidance plans, whether these plans are practical and whether they can provide useful guidance to the enterprises can be shown only in terms of value and their implementation can only be regulated with economic levers.

1. Credit as a lever. For the construction and development of an SEZ, the bank is required to raise huge funds, while enterprises of various economic sectors require different bank services. Thus, it is objectively necessary for the bank to carry out various reforms and to use economic levers to regulate the social and economic developments of the SEZ. First, it must reform its methods in dealing with the projects for which loans are to be granted, and discard some of the old restriction. As long as the project can produce good economic results and yield early investment returns, and redemption is assured, the loan should be granted regardless of whether it is for infrastructure facilities, investment in exploitation, importing advanced technological equipment, or developing tourism, transportation, energy resources or commercial housing. Second, the bank should expand the scope of credit, increase the variety of loans, and carry out mortgage experiments. Third, it can start its trust service to diversify its undertakings so as to accelerate the circulation and turnover of currency. Fourth, it should adopt a flexible interest rate and allow it to fluctuate within a 30-percent margin. These measures will solve the problem of supply and demand in the use of funds, encourage the development of the projects required in the SEZ, and restrict or eliminate the unnecessary projects.

2. Wages as a lever. Regardless of the departmental affiliation or the type of enterprise in the SEZ, the wages of its workers must be linked with its economic results and the workers' performance. In other words, the individual's wage must be in direct proportion to the enterprise's economic results and his work performance, and the form of wage payment must serve as an incentive. At present, the floating wages of workers in most enterprises in the SEZ account for about 50 percent of their total income. The wages of the productive personnel are directly linked with the enterprise's economic results, while the floating wages of the nonproductive personnel (including the administrative and the logistics personnel) are directly linked with the wages of the productive personnel. Thus, the problem of linking the income of the nonproductive personnel with the production of the enterprise is fairly satisfactorily solved, and the wages of all the workers are directly or indirectly connected with the enterprise's economic results.

3. Price as a lever. The rational use of price as a lever is the key to the smooth implementation of guidance plans. Shenzhen SEZ has correctly set price parity for Hong Kong and the inland. Because the prices of its industrial products are higher than those of Hong Kong and lower than those of the inland, while the prices of its agricultural sideline products are higher than those of

the inland and lower than those of Hong Kong, it has adopted the policy of delegating more administrative power to the lower levels, reducing the number of planned prices, and expanding the scope of free pricing. Then based on the varying effects of different commodities on the national economy and the people's livelihood, it has practiced two forms of price control: First, planned price which consists of fixed price and controlled price. The former is fixed by the state and the province, and the later is controlled by the SEZ government. Second, free price which is also divided into negotiated price and market price. Negotiated prices are set through consultation among the departments in charge and the trade unions concerned, the industrial and commercial enterprises, the foreign and domestic trades, and the regions involved; and the market price is to be set by the enterprises or producers themselves on the basis of supply and demand. At the same time, the price reform was directly linked and synchronized with the wage reform. In November 1984, the practice of keeping selling prices below buying prices was abolished, and then grain, edible oil, meat, gas and coal were sold freely at negotiated prices instead of state-set prices. The regulative role of the market is used in the selling of vegetables, and subsidies for selling at a loss have been discontinued. Some allowances are added to wages to offset the increase in the prices of grain, edible oil, meat and two other commodities so that this increase would not affect people's standard of living. This price reform has enlivened the market, which now has a plentiful supply of products of all kinds. The volume of retail sales in 1984 exceeded that of 1979 14-fold. The market of agricultural and foreign trade products is flourishing, and its volume of transactions increased 1.2-fold over the previous year.

4. Tax as a lever. Commodity production and circulation in the SEZ is mainly controlled according to the law of value, and its economic activities are mainly regulated by the market. Under such conditions, tax, as an economic lever, plays an important regulatory role in the attainment of planned goals. A highly flexible policy should be adopted to treat each case on its own merits in the use of this lever. The general principle is that the taxes here should be lower than in Hong Kong and the tax categories should also be fewer. For example, in dealing with enterprises with foreign capital, there are only 5 tax categories in the SEZ, but 11 of them in Hong Kong. The income tax rate in Hong Kong is 18.5 percent; in the SEZ, only 15 percent. The extent of preferential treatment for foreign capital depends on how large the investment is, how long the business operation period would be, and how advanced the technology to be imported. For example, industrial enterprises are granted tax exemption for 2 years and then a 50-percent reduction for 3 years. For service trades with heavy investment which are expected to operate for more than 10 years, the preferential treatment of tax exemption for the first year and a 50-percent reduction for the next 2 years would be granted. Similar treatment would also be granted to those enterprises dealing in such commodities as are in short supply in the SEZ. The products of enterprises in the SEZ are exempt from export tax, while their imports are free from customs duty and unified industrial and commercial tax, although some items, such as tobacco and liquor, are to be taxed at low rates. All export products and products that are produced and sold locally are tax free as an encouragement to exports and an aid to people's standard of living.

In implementing guidance plans, it has also made full use of such economic levers as exchange rates, subsidies, and other financial and economic means with fairly good effects.

Third, investigations and market forecasts. Because the state does not supply any raw materials to the SEZ or sell its products exclusively, it is necessary for the SEZ to work out its own guidance plans that are consistent with the law of value on the basis of investigations and economic forecasts. Investigations can uncover and help solve various problems in production and construction, on the one hand, and provide means, ideas and sound advice to the municipal party committee and the municipal government, on the other. Last year, more than 10 large-scale special investigations were conducted in various social and economic aspects, and a forecast was made on the basis of these investigations. After investigating and grasping the market conditions, and noting the amount of investment available for capital construction investment and technical transformation required for the city during the current year, the SEZ worked out an estimate of the major items required for the guidance of the enterprises, and these enterprises accordingly organize their business operations.

Fourth, the importance of information for guidance. Information is indispensable to the effective implementation of guidance plans and the regulation of economic activities. It is the method and means of improving the plans and ensuring a higher scientific standard for them. Shenzhen SEZ has attached great importance to the search for information, including commodity information, financial information, price information and particularly information on the foreign market to be used as data for the government's policy decisions and the enterprises' business decisions. While setting up various types of information and consultation companies, it also established the Shenzhen Municipal Information Processing Center, and used advanced modern technologies for the collecting, summarizing, processing, compiling, analyzing and storing of information in order to provide various information services in the capacity of an information window.

Fifth, administrative means as a supplement. While the scope of guidance plans continues to expand and economic activities continue to diversify, administrative means, in addition to certain mandatory plans in some cases, must be used as supplementary measures to avoid the possibility of flexibility turning into chaos. First, the criteria for the ever-increasing economic relations and activities were made into laws, and the work of economic legislation and the judiciary was duly strengthened. The legal system was also strengthened and enforced in all aspects of economic life. In the past several years, the SEZ has set up and continued to improve the various statutes, and already promulgated nine different statutes and detailed rules and regulations concerning land control, enterprise registration and control, the entry and exit of personnel, labor and wage control, commercialized housing and property control, economic contracts involving foreigners, the importation of technologies, preferential charges on the use of land and exemption from these charges. Being drafted now are the statutes and detailed rules and regulations concerning preferential customs duty, preferential industrial-commercial tax, contacts between SEZ personnel and outsiders, the control of foreign banks, trade unions and companies in the SEZ, accounting, property mortgage, credit control, and so forth. The systems of economic supervision and inspection were also strengthened, and the enterprises's economic and financial activities are unconditionally subject to the supervision of the government and the society. In this way, while the enterprises are exercising their own decision making power, the development of the entire economy under government guidance can also be assured.

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SPECIAL ECONOMIC ZONES

SHENZHEN'S METHODS OF ECONOMIC ADMINISTRATION DESCRIBED

Guangzhou GANG AO JINGJI [HONG KONG AND MACAO ECONOMIC DIGEST] in Chinese No 10, 25 Oct 85 pp 32-34

[Article by Gan Ziping [3927 1311 1627]: "On Shenzhen SEZ's Economic Administration"]

I

[Text] Having gained a better knowledge of the significance of SEZ's, people are also making increasing demands on them. Besides importing foreign funds and advanced technology, Shenzhen's economy must become foreign oriented and Shenzhen's enterprises should become active competitors on the international market.

Shenzhen's enterprises are now pushed into a new environment--the vast ocean of a world market economy. The supply of raw materials required and the marketing of their products are now mainly regulated by the market, and the foreign consumers are making very high demands in style and quality of commodities. The old system of planned economy is no longer workable. In fact, experiments in using mainly the market's regulative role began in the SEZ's economy long ago, although the structural reform failed to keep pace with the open door economy. Market economy has already occupied the leading position in Shenzhen, but the economic system still has many defects of the old economic system and lacks macroeconomic management and the necessary means of regulation for a market economy. A leading comrade of the party Central Committee wanted the SEZ's economic system to get out of the old conventions. In view of this leading comrade's comments, a study of the way of economic administration by the SEZ government will reveal the following three defects:

First, the SEZ government is not good at the use of prices, economic legislation, and credit as means of directing the enterprises toward its macroeconomic goal, and as a result, its intervention in the affairs of the enterprises has been too frequent. For example, the exhibition-sales bazaar of a certain company which desired to expand the scope of its business had to apply to the municipal government for approval and to go through many other procedures. Thus, on the one hand, Shenzhen's enterprises were unable to decide on their own destiny as best as they could in accordance with the law of value and, on the other hand, the SEZ government would be encumbered with so many numerous routine jobs that it had no time or energy to study the strategy for the SEZ's development or to introduce any effective laws and systems to promote its economic development.

Second, government administration and enterprise management is still unseparated, with the contradiction between the agencies of the central government station in Shenzhen and the municipal government--that is, the department-region contradiction--as the direct unforunate result. The unity between the Shenzhen government as the owner of the enterprises under the municipality, on the other, has been an uneasy one, and the way of after-tax profit delivery by the central government enterprises in Shenzhen (including the other units stationed here) which is different from that of the local enterprises--which deliver such profits to the local treasury--further intensifies this contradiction. As a result, different enterprises making different contributions to the local treasury are also receiving different treatment in residence registration and in leaving for or coming from Hong Kong. This has a very adverse effect on Shenzhen's economic resources and on its role of "fanning out" in two directions.

Third, Shenzhen's economic system, under which the regulative role of the market occupies the leading position, lacks some means of regulation and supplementation, and this defect has not yet received due attention. For example, the absence of a market of futures has led to the stockpiling of goods; the absence of stock markets makes it difficult to check investment results; so-called boards of directors and corporations exist in name only; and the absence of any organization to protect the consumers has brought losses to the consumers. Taxi drivers have refused to carry any passenger who can only pay in RMB. Although some administrative measures have been adopted with certain success, the problem cannot be basically solved without specific laws.

II

Since the market's regulative role occupies the leading position in Shenzhen SEZ's economic system, more drastic reforms in the system are still needed. After the determination of the goal, the SEZ government's method of economic administration has become an important condition for its healthy economic growth and for the attainment of its goal.

First, the government's functions should be more clearly defined so that it could work out various economic policies and use the economic levers to achieve microeconomic flexibility and to exercise macroeconomic control over the SEZ. For this reason, it is suggested that the following four systems be set up for the government's economic administration.

1. Research system: to be formed of the government statistical department, the economic policy research department, and many still nonexistent agencies to support industry and commerce. Functioning in the capacity of such agencies in Hong Kong are the trade development bureau and the productive

force promotion center where they give counsel to the higher levels and offer services to the lower levels. These agencies collect information on economic activities, verify them with the statistical department, and then collaborate with the economic research departments concerned in making investigative reports on current economic activities, offer suggestions, and draft the relevant economic laws and statutes.

2. Policy-decisionmaking system: formed of leading government officials and the top leaders of the departments concerned for the purpose of examining and passing judgment on the drafts of economic laws.

3. Supervisory system: formed of distinguished personages representing different interests in the society for the purpose of examining and supervising the drafting of relevant economic policies. These persons should have certain veto power.

4. Executive system: formed of various government functional departments including the industry and commerce administration bureau, the finance bureau, the tax bureau and so forth, for the execution of laws and the enforcement of relevant systems. The formation of these systems should be based on realities, but as a general principle, the government should be concerned with only major issues, not minor ones. For example, if there is a valid law concerning the registration and bankruptcy of companies, the enterprise need only go to the department concerned according to law for the necessary procedures, instead of approaching the municipal government for their examination and approval. The SEZ's economic activities will then be conducted according to the law of value.

Second, the formation of a corporation economy will help clarify the government-enterprise relationship and resolve the department-region contradiction.

It is suggested that the SEZ government set up certain financial institutions, such as trust and investment companies, to act as its representatives. The fixed assets of enterprises under the municipality and other enterprises in whose economic activities the municipal government plays a part should be converted into shares, and with the participation of the investment and trust companies or other financial institutions, these enterprises should become corporations. By this means, the executive branch of the government will be separated from the enterprises and will no longer exercise its ownership rights. Then the local enterprises, besides paying taxes, will only let the investment and trust company receive dividends for its share, and have no more resaon to demand preferential treatment from the local government. If any enterprise is not well run, then the investment and trust company of the government can exercise its right as a major shareholder to employ another operator or simply sell out its share. Similarly, the municipal government can ask the central government enterprises or other units to pay their taxes in the way the local enterprises have been doing. By that time, the central government enterprises, the local enterprises, and the enterprises with lateral ties will all be equal before the local government. In the case of an enterprise transferring its personnel from inland into Shenzhen and applying for the required residential registration, for example, there should be no distinction between central government enterprises or local enterprises. Should it be claimed that the influx of people would increase the strain on the social amenities, and that some poll tax should be levied, then this tax should be paid by both the central government enterprises and the local enterprises.

The early creation of a stock market is one of the necessary conditions for a corporation economy in name as well as in fact. This is also an effective measure to resolve the department-region contradiction. Direct investment among enterprises will remove the demarcation between central government enterprises, the other units stationed here, and the local enterprises, and all of these enterprises can be of an open type with mutual infiltration of funds. The administrative relations between the local government and the local enterprises will become increasingly fewer. (For the method of resolving the department-region contradiction, please read my article in Shenzhen YINJIN No 4, 1984.)

Third, to guarantee the smooth operation of the SEZ under a market economy, we must have the means of regulation and supplementation that are indispensable for such an operation. A market of futures, for example, can play a useful role in economic activities. When a speculative dealer anticipates a price rise and buys the commodity on the futures market, his action would promote the equilibrium of the market by inducing the sellers to supply more goods. If there is no futures market, the readjustment of prices, postponed until the shortage of goods is actually felt, would lead to severe and sudden fluctuations. Similarly, when the speculative dealer anticipates a surplus of certain goods, he will sell these goods on the futures market and his action will help bring the price down before there is an actual surplus and thus avoid overstocking. For quite some time, many enterprises in Shenzhen were overstocked with microcomputers, "838 calculators," electric fans for both heating and cooling, and so forth. These overstockings were all due to the absence of a futures market. Stock markets are also a means to regulate the economy. With the help of these markets, the funds of the society can be used with the aid of prices, profits, stocks and other signals to better advantage.

III

As for the major issues, the Shenzhen government should demonstrate three outstanding features in its economic activities: first, the use of legal means, particularly in the formulation of various economic policies; second, the use of unconventional methods, such as indirect intervention through prices and other economic levers as well as the financial institutions; and third, the use of scientific methods and the adoption of economic policies only after extensive consultation as well as their revision according to the actual current conditions.

In addition, the government should provide various services to the enterprises including the following:

1. Regulate the public activities, such as the supplies of electricity, water and gas, the telecommunications system, railway transportation and so forth. The government should study the speed at which the public utility trade can recover its investment. It should also adopt regulative measures to prevent the enterprises from setting such an exhorbitant rate for their investment returns as would affect prices. At the same time, it should set up the minimum standards of services and prices.

2. Invite social supervision over the control of noise and chemical poisons.

3. Protect the consumers by laws concerning food, drugs, and so forth.

4. Support industrial development by, for example, backing research in sophisticated technology and constructing harbors and canals.

5. Support foreign trade. If any enterprise in Shenzhen desires to enter the international market, the government should have the responsibility of giving it every support, in the same way the trade development bureau of Hong Kong helps the enterprises in publicity work and holding exhibitions abroad.

IV

In the process of the national economic structural reform, the question of the government's economic administration has continued to attract people's attention and produced a far-reaching chain reaction. The SEZ must take its place in the forefront of activities in the national economic structure. This is not only the subjective wish of the people in the SEZ, but also an objective necessity. The achievements of the Shenzhen government in the past several years are there for everyone to see. Some of the government functions enumerated in this article are being performed remarkably, but all its defects are being fully revealed precisely because it is ahead of the nation in other reforms.

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LABOR AND WAGES

PROMOTING LABOR SERVICES ABROAD URGED

HK140825 Beijing RENMIN RIBAO in Chinese 5 Jan 86 p 2

[Article by Liu Xiao [0491 7179] and Tong Guoping [4547 0948 1627]: "Lay Emphasis on 'Short, Inexpensive, and Fast'--Tentative Discussion on Developing Labor Services on a Contract Basis in Foreign Countries"]

[Text] Contracts for foreign projects and labor cooperation represent something officially put on the international market by our country since 1979. In the past six years, the number of companies committed to contracts abroad and labor cooperation has increased to more than 60, with activities in more than 70 countries and regions. More than 2,300 contracts have been signed, with a total value of about $5 billion and over 160,000 labor service workers involved. A good reputation has been established in the international market. But this undertaking is only at its initial stage of development.

Develop Superior Features and Earn Foreign Exchange "In a Short Period and in a Cheap and Quick Way"

Modernization calls for foreign exchange. Many countries have adcpted contracting for projects abroad and labor service cooperation as a way to improve a country's balance of international payments to increase foreign exchange reserves. Generally speaking, developing countries get involved more often with labor service cooperation abroad. Developed countries with relatively ample capital are relatively keen on contracting for projects. In the past few years, many companies in our country have paid their main attention to contracting for projects and have overlooked labor service cooperation as something trivial and producing small economic results." But a contract for a project calls for self-provided materials and equipment. Our country is already short of the "three kinds of materials" (rolled steel, timber, and cement) which are our main construction materials. Certain machinery and equipment also does not suit the needs of the international market. Materials and equipment genuinely exported make up only around 5 percent of what a given project calls for. One-third to two-thirds of hard-earned foreign exchange goes on materials and equipment bought from foreign countries. What is earned is basically nothing more than some labor service charges.

With the start of the 1980's, competition in the international project contract market intensified. Contractors are required to provide capital, with the other side being late in paying. Our country is not amply provided with funds. This restricts the development of our effort to contract for projects abroad, especially large-sized ones.

The features of labor service cooperation with foreign countries are: small investment, a short foreign exchange-earning cycle, and quick results, with "a harvest guaranteed in spite of drought or floods." Pakistan has sent out more than 2 million labor service workers, with an annual amount of around $3 billion handed over to the state, 2 and ½ times as much as the foreign exchange earned by its exports. The total foreign exchange earnings from labor services of Egypt and Turkey make up 60 percent of the two countries' total foreign exchange receipts from exports. Those of Yugoslavia and Bangladesh account for around 40 percent.

Despite a slump in the international labor service market in recent years, the number of international labor service workers has still been maintained at around 9 million, with an especially sharp increase in demand for labor services in tertiary industry. The outlook remains very bright. Our labor resources have a good reputation in the world. Our labor service workers are conscious of discipline and prepared to work hard and to endure hardships. The charges for our labor services are relatively low. This is a superior feature of our country. But the number of people now sent abroad stands at only 50,000, around 0.5 percent of the total world figure for labor service workers. The potential is very great.

An overall analysis of international market trends and the conditions of our country shows that we should promote our strong points and get rid of our weaknesses. We must put the emphasis on enlarging labor service cooperation and obtaining more contracts for medium-sized and small projects. By various means, through various channels, and through involvement in multiple undertakings, we must fight to obtain results "in a short period and in a cheap and quick way."

Of course, well financed companies like the China architectural engineering company should also proceed from long-term interests where a share in the international market is concerned, and contract for large-sized projects calling for an advance of money. But they must act within the limits of their resources.

Nothing Should Be Done to Offset Acquired Benefits from Superior Features

The aim of fighting to obtain results "in a short period and in a cheap and quick way" is to earn more foreign exchange and to do so quickly, and to improve the economic results of labor service cooperation with foreign countries and contracts for projects. There are now two problems standing in the way of the development of superior features and the improvement of economic results. One is the continuous rise in the cost of domestic labor services. The other is a free-for-all among various domestic companies trading with foreign countries, as they try to undercut each other in their quotations.

The general manager of the China Highway and Bridge Construction Company said: Originally we could beat our competitors abroad with our relatively low labor service costs. But now outlays for workers sent abroad have been going up incessantly. Clothing expenses have doulbed or tripled. Engineers' pay has tripled. Wages for workers have gone up 2 and ½ times. In addition, living expanses, spending on food, premiums for overtime, bonuses, and traveling expenses have risen accordingly. There is a trend toward an inexorable rise. At present, the costs of our labor services are more than 100 percent higher than those of the Philippines, India, Pakistan, and other countries.

Factors accounting for the rise in costs are both rational and irrational. Foreign labor service workers are not particular about dress. But all of our people working abroad are armed with several Western suits. A manager said that the fanciest neckties in the Beijing department stores have been almost "all snapped up" by labor service workers. Why, in fact, must workers working abroad be dressed in the Western style?

At present, of the 60-odd companies involved in contracting for foreign projects and labor service cooperation, some are connected with ministries and commissions at the central level and some are at the provincial and municipal levels. There is no coordination among these companies. It often happens that when one company has basically finished negotiating a deal, another undercuts it by quoting a lower price, with "outsiders standing to benefit."

Companies connected with ministries and commissions at the central level were originally devoted to business in their given fields. For example, those in charge of harbors took care of ports and wharves. Those connected with construction were in charge of civil engineering. Now, given diversification, boundaries have been crossed. Provincial and municipal companies are mostly of a comprehensive nature. Given lack of effective management and coordination, the more companies the poorer the benefits. It should be made clear that this is our guiding idea. We are not meant to scramble for contracts. Instead, we are supposed to earn foreign exchange and do so quickly.

Rely on Talent and Flexible Methods of Operation

The low quality of labor service workers has cost us many opportunities to earn foreign exchange. In 1981, Italy wanted to recruit 15 road construction engineers from Sichuan of a given age and with a knowledge of English. Sichuan, with a population of 100 million, could do nothing. In the past 1 or 2 years, some countries in the Middle East and Africa have cordially invited our country to send over engineering and technical personnel with a knowledge of foreign languages. They have even suggested that whole factories and hospitals be placed under our management. These offers have mostly been turned down because of our lack of ability.

It has now become a trend for the percentage of technical labor to rise and that of simple labor to drop. But our country at present still focuses on simple labor service cooperation and is short of managers, economists, accountants, designers, legal advisers, price calculation experts, and other advanced skilled personnel needed in the international market. We need a large number of engineering and technical personnel who know more than one foreign language and who understand how computers work. We also need ordinary labor service workers who have a rudimentary knowledge of a foreign language and are specialized in a given field.

To solve the problem of shortage of talent, various companies trading with foreign countries must, on the one hand, strengthen the trading of skilled personnel. On the other hand, they must tap more social potential, establish relations of long-term cooperation with various educational organs, and step up the pace of training. Meanwhile, they must reform the system of using workers, widen the scope for the recruitment of talent, and employ open recruitment of ideally competent persons from society.

The international market is changeable. In business, we cannot stick to one given method. We must be flexible and quick to adjust. Now various companies generally know that our methods of operation are too inflexible and too simple. For example, many countries suggest paying for labor services in local currency or in kind--such as petroleum. This clashes with our current practice of doing business on a cash basis. As a result, many contracts have been lost. If we are more flexible and combine contracting for labor services with trading exchanging offered commodities and local currency for hard currency on the international market in an indirect manner, we can then add greatly to the number of contracts received. Also, given our shortage of funds, some companies have adopted the method of involving foreign companies in joint operations, with labor provided by us and funds by the other side. Joint tenders are put forward on a risk-sharing basis. Such a method is undoubtedly to be recommended.

There is great potential in our effort to enter into labor service cooperation and contracts for projects with foreign countries. The important thing is that we must adjust to international market changes and work out the correct strategy for development, pushing forward in the face of difficulties.

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LABOR AND WAGES

COMMENTARY URGES PROMOTING LABOR SERVICES ABROAD

HK140829 Beijing RENMIN RIBAO in Chinese 5 Jan 86 p 2

[Short Commentary: "Do a Good Job in Exporting Labor Services"]

[Text] Earning more foreign exchange is a major issue bearing on modernization as a whole. The departments concerned must hone their skills to earn foreign exchange as quickly as possible.

At present, the potential of foreign exchange receipts from sources other than trade cannot be underestimated. We entered the international market only a few years ago, as far as labor service cooperation and contracting for projects are concerned. Things are in an initial stage of development. To earn more foreign exchange for the state in this area, the most fundamental thing is to give full play to our own superiority.

To earn more foreign exchange, we must proceed from reality, drawing on our strong points to make up for weaknesses. Our country has a very abundant supply of labor. Our national conditions and resources determine that we should at present give priority to the development of labor service cooperation with foreign countries. Concerning contracts calling for self-supplied materials and equipment and financial advances, we should act according to our capability. If we should disregard our national conditions and force ourselves to do what is difficult, we would be placed in a passive position.

In developing labor service exports, the important thing is to improve the quality of laborers. At present, the quality of workers sent out by our country still falls far short of the demands of the international market. Due to their poor quality, we have been forced to forego many opportunities to earn foreign exchange. This is quite deplorable. To really develop our strong points, we must pay attention to investing in training skilled personnel. To attain the goal of supplying the international market with a highly competitive labor service force, we must do a good job of training.

To develop labor service cooperation, we must obtain more contracts. But we must not engage in a free-for-all, trying to undercut each other. Among various companies trading with foreign countries, a relationship of partners should be developed. Nothing should be done against each other so that available benefits become lost. At present, this must arouse our particular attention.

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LABOR AND WAGES

XIZANG TRADE UNION WORK CONFERENCE OPENS

HK101018 Lhasa Xizang Regional Service in Mandarin 1130 GMT 6 Jan 86

[Text] On the morning of 6 January, the regional conference on trade union work opened in Lhasa. Attending the conference are the chairmen of all prefectural and city trade unions in the region and responsible persons of all departments, bureaus, and committees, the regional offices in Chengdu and Golmud, and the trade unions of all universities and colleges in the region, totaling some 100 people.

(Qiong Da), vice chairman of the Regional Trade Union first conveyed the spirit of the 3d meeting of the 10th executive committee of All-China Federation of Trade Unions and the national forum of enterprises on ideological and political work. He stressed: It is necessary to simultaneously grasp the building of material civilization and spiritual civilization and to run homes for the workers well. He also put forward demands on doing trade union work in our region in the new period well.

On the basis of summing up the experiences in trade union work in our region over the past 2 years and in going further in negating the cultural revolution, in eliminating leftist ideological influence, and in straightening out the ideological line put forward by enlarged meeting of the Regional CPC Committee Standing Committee, as guiding ideology, this conference will further eliminate leftist ideological influence on the trade union work front and regard the study of the role and functions of trade union work as the central subject under discussion.

This conference is very important for giving better play to the role of the trade unions in the four modernizations and reform of the economic structure in our region and will play an active part in creating a new situation in our region's trade union work.

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JIANGXI TO HIRE SOCIAL SCIENTIFIC EXPERTS

OW111216 Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 9 Jan 86

[Text] Preparations for instituting the system of hiring social science personnel, professionals, and technicians are actively underway in our province.

In line with the arrangements by the central and provincial leading groups for job titles, our province has set up the Jiangxi Provincial Screening Committee for Hiring Social Science Personnel, Professionals, and Technicians. Forerunner units of various professional and technical fields have been designated and organs in charge of coordinating the implementation of this system decided on. Investigations have been made on the numbers, distribution, and structure of professionals and technicians, past evaluation of job titles, and the demands of various categories of professionals and technicians. A foundation has thus been laid for all-out implementation of the system of hiring professionals and technicians.

Currently, the provincial labor and personnel bureau and the forerunner units of all categories of social sciences, professionals, and technicians are revising the Jiangxi Provincial Implementation Plan for the System of Hiring Social Science Personnel, Professionals, and Technicians and the implementation plans for the system of hiring all categories of professionals and technicians. Units will be then selected to experiment with the new system.

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LABOR AND WAGES

PROVINCIAL TRADE UNION'S ENLARGED SESSION ENDS

HK110244 Changchun Jilin Provincial Service in Mandarin 2200 GMT 10 Jan 86

[Text] The four enlarged plenary session of the seventh provincial Trade Union Council ended on the afternoon of 10 January.

The session called on the broad masses of workers throughout the province to extensively carry out activities on making contributions to the Seventh 5-Year Plan and performing meritorious deeds. It called on the trade union organizations at all levels to deeply and extensively carry out mass activitization contributing to the four modernizations. The industrial, communications, and capital construction fronts should exert efforts to improve product quality, reduce the consumption of materials, accelerate the circulation of funds, and develop new products. In line with the actual situation in the various enterprises, we should carry out a general discussion on how to contribute to the Seventh 5-Year Plan, suggest ways for reform, and strive to make each and every worker increase income and reduce expenditures by 100 yuan annually on the basis of fulfilling the state plans.

The financial and trade fronts should extensively carry out activities on vying to be the best service showcases and the best service workers.

The broad masses of workers on the cultural, educational, and public health fronts should make active efforts to promote the socialist spiritual civilization.

The session put forward that this year the province will carry out selective trials to choose the best pacesetters who have made contributions on various fronts. The session expressed the hope that the broad masses of workers will actively participate in this drive and will vie to be pacesetters and the very best in contributing to the four modernizations.

The session called on the trade union organizations at all levels to fully display their favorable conditions and characteristics; conduct education on the current situation, policies, ideals, and discipline among the broad masses of workers; continue to enhance their political awareness and their cultural and professional level; and make active contributions to achieving remarkable improvements in party style and social conduct.

The session elected Comrade (Geng Guoliang) as chairman of the provincial Trade Union Council, and Comrade (Li Huiling) as vice chairman.

On the afternoon of 10 January, Wang Xianjin, deputy secretary of the provincial CPC Committee, and (Du Qingling), member of the Standing Committee of the provincial CPC Committee and director of the organization department, attended and addressed the session.

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LABOR FORCE 'RESERVOIR' PLAYS MAJOR ROLE IN SOCIETY

Beijing LIAOWANG ZHOUKAN [OUTLOOK WEEKLY] in Chinese No 44, 4 Nov 85 pp 23-24

[Article by He Yanping [0149 4291 1627]: "The 'Reservoir' of Society's Labor Force"]

[Text] The establishment of labor service companies as a new type of labor organization in society has demonstrated to an increasing extent the functions which can be performed by the "labor reservoir" for the adjustment of the labor force in society. In recent years, under the organization and management of labor service companies in various areas, 8 million members of the labor force have found employment throughout the nation. In 1984, the number of people helped by labor service companies to find employment constituted 20 percent of the total contingent of newly employed workers. The contributions such companies have made in finding jobs for young people in the cities and towns are absolutely essential.

In the early period in the readjustment of the national economy in 1979, the state was not in a position to offer employment to the increasing number of young people waiting for jobs in the cities and towns. Under the circumstances, the governments at various levels and the enterprises began to organize young people awaiting employment and the children of staff workers to perform labor services while undergoing training and to establish and develop labor service companies on various scales in order to accommodate the labor force.

Following several years of development, these service companies, which started out merely as organizations helping young people to find employment, gradually evolved into organizations with features peculiar to China for the overall management of surplus labor and came to be known as labor "reservoirs."

Need for Adequate Control Over the "Sluice Gate" of the "Reservoir"

This reservoir performs the function of absorbing and providing an outlet for the labor pool. First of all, those awaiting employment are stored up in the labor service companies, absorbed by the economic entities established by such companies, placed in training centers prior to their employment, or engaged in labor services on a temporary basis. These are the methods by which an outlet is provided by service companies for the labor force.

This process of absorption and egestion of labor goes round and round to form a benign cycle. To ensure that this process proceeds in a proper manner, it is necessary to have a firm grasp of the labor situation and the needs of society. In other words, it is necessary to exercise effective control over the sluice gate of the reservoir. The labor service companies in both the city of Zhangjiakou and Gunagdong Province have done well in this respect.

In order to exercise more effective control over the employment situation in the city, the Zhangjiakou Labor Service Co established a rather well-organized system of issuing labor service cards. It also engaged in the work of investigation into the needs of society. In view of the backward state of development of tertiary industry in the city, it organized over 20,000 young people awaiting employment into over 300 labor teams in the commercial sector, the food and beverage network outlets, the industries, construction and installation, loading and unloading and the moving services. Furthermore, 6,000 to 7,000 temporary workers are dept in reserve throughout the year to meet the seasonal needs of the construction materials enterprises, the municipal administration and the vegetables companies.

If control over the "sluice gate" of the "reservoir" in Zhangjiakou is made possible by exercising centralized control according to a plan, then the "sluice gate" controlling the circulation of labor in Guangdong Province is mainly adjusted by the labor market.

According to Lin Jiaoxiao [2651 0679 1321] of the Guangdong Labor Service Co, the gradual establishment of a labor market in Guangdong was made possible because the province had been opened up at an earlier date and the market economy was in a more prosperous state due mainly to the large demand for labor following the import fo foreign capital by the special zones. At present, practically all the cities, prefectures and counties in the province have established labor service companies while the Shenzhen SEZ and the Zhu Jiang delta have established mobile labor markets. In Guangdong, the concept of employment has undergone a vast change. In the eyes of the people, there is no difference in the advantages and disadvantages between state, collective and individual enterprises. What matters is whether one can put one's talent to good use. It is this concept which has made possible the movement of personnel. The job of the labor service companies is to act as go-betweens for the mobile labor force. Naturally, the question as to how to reduce the aimless movement of the labor force and to achieve a measure of flexibility in an orderly manner is a new problem with which the laobr service companies will have to concern themselves.

The Need To Strengthen the Functions of the "Reservoir"

The difference between labor service companies and ordinary enterprises engaged in production is the mobility of the labor force of such companies. Last Year, the Changchun Automobile Manufacturing Co stood in need of a large number of workers conversant with new technologies for the remodeling of motor vehicles. The labor service company used by the factory was able to supply over 800 young workers who proved themselves equal to the task. However, this movement of workers inevitably represented a loss to the labor service company itself. Thus, a contradiction has been created. Some of the service companies which have failed to deal with this contradiction in a proper manner have been liquidated or have failed to perform their functions as "reservoirs." How should this contradiction be resolved? According to the person in charge of a labor service company, the supply of labor is an unshirkable responsibility of labor service companies and what matters most is the service which they can render society. In order to improve the functions of the "reservoir," the labor service companies must have their own economic power. The purpose of thse companies, however, remains the supply of labor services for developing production. Not long ago, the product exposition held by the National Labor Services Co in Beijing showed what it had achieved in that respect. According to the person in charge of the company, the labor service companies, 8 years after their establishment, have produced a total of 15.7 billion yuan in their production operations, made a profit of 2.27 billion yuan and paid taxes amounting to 1.7 billion yuan. These labor service companies have not only performed the function of taking up the slack in the development of the national economy, but also greatly increased the capability of the "reservoir."

Once equipped with funds and vested with power, these labor service companies will be in a position to provide various kinds of technical training to upgrade the quality of the labor force waiting to be released from the "reservoir." At present, there are close to 800 training centers offering training to 8 million people. Xi'an, the first city to establish training centers, has now established a multileveled training network with labor service companies as its mainstay, vocational schools as its foundation, training centers as its backbone and the democratic parties and schools established by various organizations in society as its supplementary constituents.

The supply of family labor services is also one way in which the labor service companies can find jobs for people awaiting employment. It makes possible the deployment of the surplus female labor force in the rural areas. Advantage is also taken by Guangdong Province of the abundance of labor in our nation to develop the export of labor to foreign countries. In recent years, 4,000 laborers have been assigned to 15 countries and regions. They have earned over $10 million in foreign exchange and won high praise internationally.

Establishment of a Link Between "Small Reservoirs"

The reporters were told by Hua Yinchang [5478 5593 2490], director of the Training Bureau of the Ministry of Labor and Personnel, that several years ago, it was the main concern of the labor service companies to find jobs for young people awaiting employment, but that it would be necessary to deal properly with the surplus workers within the enterprises if the problem posed by the wastage of labor in the entire society is to be resolved. From the individual point of view, a person is not likely to be able to cope with the same type of work throughout his life. The physical strength of female textile workers, for instance, tends to decline after the age of 35. It is not advisable for mine workers over 40 to go down to the pits. Where should these people go? While some insist on holding on to their jobs, those who have been sent to reception offices and parking lots are often not able to perform their assignments well. From the society's point of view, readjustments have to be made by the industries on a routine basis because large numbers of people have to be moved from one job to another. For this reason, there is an urgent need for an organization responsible for the overall adjustment of the labor force in society.

Hua Yinchang is of the view that the socialization of the labor service companies of the enterprises is one way to resolve the problem. At present, the labor service companies of the enterprises have different systems of their own. If a link can be established between the various "small reservoirs" of the enterprises and the "large reservoirs" in society, the mobility of the labor force will be greatly strengthened, the freedom of choice of employers and employees will be increased and the initiative for the deployment of personnel and the rate of labor productivity will be greatly invigorated.

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HONG KONG

UPHOLDING OF HONG KONG AS WORLD FINANCIAL CENTER

Hong Kong TA KUNG PAO in Chinese 15 Nov 85 p 5

[Article by Jiang Wengui [5592 2429 2710], vice chairman, Board of Directors, Bank of China, on the occasion of the 85th anniversary of the Hong Kong Chinese General Chamber of Commerce: "Work Hard To Preserve Hong Kong's Status As World Financial Center"; reprinted from GANG AO JINGJI [HONG KONG AND MACAO ECONOMIC DIGEST] No 4, 1985]

[Text] That Hong Kong has developed into an international financial center is a fact acknowledged by the whole world. Its financial operations cover the entire Asian and Pacific region. It has established close relations with the various international financial centers in Europe and the United States. The continued upholding of Hong Kong as an international financial center is the hope of all the people of Hong Kong and something toward which they are directing their tireless efforts because it would serve to promote the economic development of the Asian and Pacific region, the economic relations between the nations in the west and the various nations in the Asian and Pacific region, the economic construction of our nation and, more important still, to enable the 5 million people in Hong Kong to bring about a greater measure of stability and prosperity to the island.

Can Hong Kong uphold its position as an international financial center? How should we go about upholding its position? These are matters of concern for everybody. While the first question is not one that can be determined by the will of the people, the second can be resolved by their subjective efforts.

Whether Hong Kong can continue to uphold its position as an international financial center during the 12-year transitional period or even after 1997 is determined not by the will of the people but by objective economic and political factors. From the economic point of view, can the economy of Hong Kong continue to develop and, in particular, can the industries continue to prosper? From the political point of view, can the political situation continue to maintain its stability and are the policy measures correct and proper? The economy of Hong Kong has, within the last 10 to 20 years, evolved from the purely consumer type to one that is dominated by production. The preponderant industrial economy has brought about the further development of tertiary industry. This is a healthy type of economy. In future years, there is no reason for Hong Kong to revert to the purely consumer type of economy. On the contrary, it will gradually develop into a healthier production type of economy with industries as its mainstay that is capable of further speeding up the development of tertiary industry, such as commerce, finance, tourism and the service trade, thus making it possible to further modernize and internationalize its entire economy. Naturally, the economy of Hong Kong is a dependent one highly susceptible to the effect of changes in the international market. This, however, is not a major problem, because the present-day international economy, as a result of the speedy development of the scientific and technological revolution, has cut across national and regional boundaries and evolved into a world economy so that any nation or region that still chooses to adopt a closed type of economy will be left behind. Having adopted the open type economy, Hong Kong naturally has to depend on the economy of the various nations and regions in the world for its existence. There is nothing wrong with that. Although the rise and fall of the international market cannot but have an effect on Hong Kong, Hong Kong can, nevertheless, take advantage of its positions of strength to make further gains when the international market is on the rise and minimize its effect when it is on the decline. Furthermore, with the further strengthening of economic relations between Hong Kong and China, the economy of Hong Kong will stand to benefit from the accelerated developmend of China. The political situation in Hong Kong will tend to stabilize after the Joint Sino-British Statement has come into effect and the policy of Hong Kong will remain unchanged. All that goes to show that the position of Hong Kong can be upheld as an international financial center.

How the position of Hong Kong can be upheld depends on our efforts. Certain issues, however, merit special attention.

First is the stability of the Hong Kong currency. Since the Hong Kong currency is not one of the major currencies in the world, it is not too widely used and therefore relatively easy to control. Theoretically, so long as the economy of Hong Kong does not go downhill, there is no reason why the Hong Kong currency should not remain stable. However, in view of the fact that Hong Kong is already an international financial center free from foreign currency controls, the Hong Kong currency is bound to be affected by the international foreign exchange market. That is so especially in view of the intensive speculative activities prevailing in the international foreign exchange market and the likelihood of high waves being whipped up even in the absence of a high wind. That is why the maintenance of the stability of the Hong Kong currency has become a problem. Two years after the adoption of the system of pegging the value of the Hong Kong currency to the value of other currencies, it appears to be the system best calculated to maintain the stability of the Hong Kong currency and that it should not be changed without valid reasons.

Second is the soundness of financial operations. In the course of the last 3 years, the Hong Kong Government, with a view to putting the structure of financial operations on a sound basis, has adopted a number of measures, the most important of which is the three-tier financial system, which seems to be working well. It should be noted that, in putting the financial operations in Hong Kong on a sound footing, major effort was made in the past to control the excessive expansion of credit and serious effort should continue to be made to perfect the financial system. There are still loopholes in the present financial system which should be plugged. Supervision should be strengthened over the illegal operations of members of the boards of directors. There is considerable difference of opinion on the pros and cons of the system of deposit insurance which has been adopted by many countries. I agree that it is a good system for protecting the banks with limited capital from being victimized by bank runs occasioned by rumors. The situation in Hong Kong, however, is special. The overwhelming majority of the 140-odd banks have the backing of large international banks and the only banks susceptible to being buffeted by the elements are a few banks financed by Chinese capital. It is extremely difficult to come up with a fair and reasonable deposit-insurance system that is acceptable to all the banks. It appears that this problem cannot be easily resolved by the banks themselves and that the Hong Kong Government should weigh the entire range of financial operations in Hong Kong and decide whether to draw up a deposit-insurance system or to solve the problem by agreeing to take over the banks that experience financial difficulties. However, regardless of whether or not there is a deposit-insurance system, it is my opinion that two matters deserve serious consideration. First, the department of the Hong Kong Government responsible for exercising supervision over financial operations should strengthen its supervision over banking operations and take all precautionary measures to see that the operations of all the banks, large and small, are on a sound basis in order to set the minds of depositors at ease. Second, there is need for a rediscount organization. At present, the functions of a central bank in Hong Kong are being assumed by various departments of the Hong Kong Government and the commercial banks, but there is no department in charge of rediscount operations which should be the responsibility of a central bank. When the banks are confronted with a shortage of circulating funds or when there is a run by the depositors, rediscount operations can be used to tide them over. That is one shortcoming in the financial operations in Hong Kong. There are many leaders in banking circles who favor the organization of a "rediscount window" among themselves. That is a good idea to which I can give my support. However, instead of establishing such an organization by people in the same trade, it would be better for the Hong Kong Government to draw up the relevant laws and regulations and to make a particular department responsible for engaging in rediscount operations which should be performed by a central bank and which should be the responsibility of the government.

Third is the further opening of the financial market and the need for more flexible operations. As an international financial center, Hong Kong must open up to the outside world. It is believed that during the 12-year transitional period, the Hong Kong Government will continue to pursue the existing open door policy and to uphold the position of Hong Kong as an international financial center. In the joint statement on Hong Kong issued by the Chinese and British governments, the Chinese Government made it clear that the financial enterprises will continue to have freedom in their operations, that funds will be permitted to be imported and exported freely, that no control will be exercised over foreign exchange and that the foreign currency, gold, negotiable securities and futures markets will continue to open. All that is essential if Hong Kong is to be upheld as an international financial center. One major flaw in the market operations of Hong Kong as an international financial center is that the extremely underdeveloped second market has had an adverse effect on the circulation of negotiable securities and commercial bills. During a certain period in the past, the financial market in Hong Kong did not go through a stage marked by the excessive inflation of credit, a situation which calls for rectification. This, however, is not as serious a problem as it used to be. Since the beginning of this year, the banks and businesses have made increasing use of bank deposit certificates, bonds and commerical bills to raise funds. The scope of circulation, however, is limited to within the financial organizations themselves instead of being enlarged to encompass the entire society to open up another channel for the accumulation and distribution of idle funds in society in the absence of second-market operations. Unless this problem is resolved, all the bank deposit certificates and the issuance of bonds will be rendered inoperative when the financial organizations have reached their point of saturation. This is a matter that calls for legislative control departments of the government and the banks.

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HONG KONG DOUBLES MACHINERY SALES TO PRC

HK130429 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 13 Dec 85 p 6

[Text] Hong Kong sales of machinery and spare parts to China in the first nine months of the year rose a whopping 119 percent to $1 billion, according to a Trade Development Council [TDC] report.

The report says the biggest gains in both value and percentage terms in the period came from machinery for the plastics industry, which totalled $218 million, a 267 percent rise on the year-ago period.

Next by value was electrical parts for printed circuits, switchboards and control panels, sales of which rose to $119 million, up 67 percent, followed by $103 million in sales of non-electric machinery, a climb of 127 percent.

"This is an encouraging development," says the report, "especially at a time when China is restricting imports by tightening control on foreign exchange."

The report says Hong Kong's domestic exports of the sector to China have shown uninterrupted growth in recent years.

The most recent rise follows an increase of 101 percent last year.

Citing China customs figures, the report says Hong Kong's exports in the first half accounted for 13 percent of the country's total imports of that sector.

Again citing Chinese sources, it says Hong Kong-made machinery is well-received on the mainland.

Price, however, plays the major role. The report says Hong Kong-made plastic machines are reported to be 40 percent cheaper than comparable products from Japan.

It notes that China's ongoing clampdown on foreign currency spending does not affect machinery since the sector is considered essential to the country's industrial development.

Also included in the report are TDC estimates of foreign reserves for selected Chinese provinces and cities this year.

Shanghai tops the list, with U.S. 1.3 billion, followed by Tainjin with $575 million, Jiangsu $540 million, Shandong $415 million, Beijing $250 million, Hunan $130 million, Balian $125 million, Sichuan $100 million and Wuhan $75 million.

These figures exclude invisible earnings, such as overseas remittances, tourism and any cash from exports, the report says.

The TDC also estimates that China has set up about 200 trading companies in Hong Kong to promote foreign trade since 1979, the majority coming from neighboring Guangdong and Fujian.

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CSO: 4020/177

GROSS DOMESTIC PRODUCT GROWTH REPORTED SLOW

HK220130 Hong Kong HONG KONG STANDARD (BUSINESS STANDARD supplement) in English 21 Dec 85 p 1

[Article by Chito Santiago]

[Text] Hong Kong's economy is growing at a slower pace than had been anticipated by the government and this year's gross domestic product [GDP] expansion will probably be less than four percent.

This was the assessment given by the financial secretary, Sir John Bremridge, when he spoke at a press conference held yesterday.

This figure represents a further downward revision in his forecast for Hong Kong's GDP growth for 1985.

In his mid-year review of the territory's economic performance which he delivered in September, he projected the growth rate would be between 4.5 percent and 5 percent compared with his budgetary projection of 7.2 percent.

Hong Kong's real economic growth in 1984 was put at 9.6 percent.

Sir John said it was obvious exports had not picked up as expected. Domestic exports in the first 10 months of this year fell by 10 percent from a year ago to $106.1 billion.

He blamed this on weak overseas demand, especially in the U.S. which absorbs about 45 percent of Hong Kong's exports.

Another reason was the strength of the Hong Kong dollar as a result of its link with the U.S. unit.

Sir John said this strength was a handicap, particilarly in the first half of this year.

He said the effect of the intervention by the "Group of Five" to lower the value of the U.S. dollar would not be felt in Hong Kong probably until the first quarter of 1986.

He also cited the lack of major public works activities, which constitute a major portion of the GDP, especially in the latter half of the year.

Sir John said the big projects were now finished, among them the Mass Transit Railway Corporation's Island Line. However, he pointed out that a number of major projects for next year were now in the pipeline, including the Eastern Harbour Tunnel, the contract for which was awarded earlier this month to a Japanese-led consortium.

Sir John reiterated his concern about the lack of reinvestments in Hong Kong, especially in new plants and equipment. He blamed this slack to the uncertainties posed by the now vetoed Jenkins Bill. However, even as this bill is now out of the way, at least for the moment, investors are still playing a waiting game as they shift their attention to the negotiations over the new Multi-Fibre Arrangement [MFA[next year. "The negotiations over the new MFA will be very hard indeed," Sir John said.

He also projected a smaller-than-forecast budget deficit in the current fiscal year ending 31 March, 1986, and a moderate surplus in 1986-87.

In his address to the Legislative Council last week, he ruled out higher taxes and emphasized that the strategy was to hold down growth in public expenditure which has now slipped from over 19 percent to less than 16 percent of the GDP.

Provided the increases in percentage terms in real expenditure do not exceed the GDP growth rate over time, he could see no reason for further increments in taxation as opposed to merely keeping up with inflation. However, he ruled out the elimination of taxes on soft drinks and cosmetics.

On the banking sector, Sir John brushed aside the suggestion that the present situation was rather chaotic in view of the collapse of the Hang Lunp Bank and the Overseas Trust Bank [OTB] as well as the difficulties plaguing the smaller banks.

Commenting on the move by Wing On Bank and Ka Wah Bank to seek new partners, he said: "I think there will be a tendency among smaller banks to enter into mergers or seek larger partners. Banking is very competitive in Hong Kong."

He also repeated the Government's aim of returning the Hang Lung Bank and the OTB Bank to the private sector.

Morgan Guaranty has now submitted its findings on Hang Lung to the Secretary for Monetary Affairs, Mr Douglas Blye. Sir John pointed out there was no hurry over this as the government wanted to get the highest price for the bank. "Hang Lung Bank will be sold in due course," Sir John said. But the OTB, he added, will take three of four years to clean up.

He also said the government had asked that a tribunal be set up to look into shareholders' request for compensation.

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CSO: 4020/177

BUSINESSMEN TO MEET PRC FINANCE OFFICIALS

HK220644 Hong Kong SOUTH CHINA MORNING POST (SUNDAY BUSINESS supplement) in English 22 Dec 85 p 1

[Article by Jack Spackman]

[Text] Businessmen from Hong Kong will have a chance soon to talk directly to the people who shape China's financial and economic policies.

High on the list of topics they will discuss is foreign currency controls, a subject of enormous interest to China's trading partners.

"From these discussions could come ideas for China to fine tune its open-door policy," says Mr Anthony Yung, one of the organizers of potentially the most important China conference yet held.

Subjects of major concern to foreign investors including tax, the enforceability of contracts and China's current foreign currency reserves policy, will come under the spotlight.

Vice-ministers, directors and advisers head the list of Chinese officials who will be there for scrutiny by leading bankers, businessmen, lawyers and government people from Hong Kong and beyond.

China's top tax man and top accountant will be there, according to the organizers, as well as senior Ministry of Finance people, including the policy chief for exchange control.

China's foreign currency reserves will be a hot topic. They are a matter of prime concern not only to China but also to its many trading partners.

China's dilemma: How to prevent any further drastic running down of its reserves without stopping the drive to modernize its industries?

China wants to relax the rigid rules on foreign currency spending which were imposed early this year, according to people who have talked to Finance Ministry officials in Beijing. But it wants to avoid, at all costs, running into the type of debt mountain which currently plagues so many developing countries.

"The world is waiting for China to relax its controls and China wants to relax them," said Mr Yung. "It is quite possible that some of the suggestions to emerge from our conference will help the policy planners to devise a suitable strategy in this matter."

China has a firmly stated policy which aims at quadrupling its national output by the year 2000.

"They know that they must continue to import technology and expertise to reach that goal, but they are determined to devise a systematic method of controlling the outflow of the country's vital reserves," said Mr Yung.

China's foreign currency reserves early last year stood at US $17 billion. By April this year, following an imports rush, they had slumped to $11.5 billion.

That's when the central government in Beijing stepped in and virtually sealed off foreign purchases for all but the most essential items.

A direct result has been a poling up in Hong Kong warehouses of thousands of tons of products--particularly household electrical goods, motor vehicles, even 35 mm film, worth billions of dollars.

Local traders and manufacturers might not agree, but China believes its policy toward its reserves is a sound one.

At the same time, the planners in China appreciate that the freeze of foreign spending has hurt the modernization program and therefore must be relaxed eventually.

The conference, from 28 February to 1 March in Guangzhou, is a joint effort of the Hong Kong Society of Accountants and the Accounting Society of China.

But it will ont be an event for accountants only. Nor will the discussions be limited to accounting matters.

"Quite the opposite," said Mr Yung, the Hong Kong co-chairman of the organizing committee. "What we will be talking is business, and how to generate more of it."

The principal focus will be on investment, with experts speaking on the many accounting, financing, legal, taxation and foreign exchange problems facing foreign investors in China.

The conference will be limited to 300 attendees, half from China and half from Hong Kong and overseas.

The 150 delegates from within China will be selected by the Ministry of Finance and will come from planning bodies, ministries and other organizations all over the country.

Among Chinese officials listed to address the conference are Mr Xi Yuanping, governor of Guangdong Province; Prof Xu Yi, adviser to the Economic Research Centre of the State Council; Mr Xie Ming, adviser to the Ministry of Finance; Mr Gan Ziyu, vice-minister of the State Planning Commission; Mr Jing Shuping, president of China International Economic Consultants Inc; Mr Yang Jiwan, vice-chairman and secretary-general of the Accounting Society of China; Mr Chen Quangeng, chief of the policy research division of the State Administration of Exchange Control; Mr Liu Zhicheng, adviser to the General Taxation Bureau of China; Mr Chen Baosen, research fellow at the Institute of American Research at China's Academy of Social Science Studies; Mr Yan Zekiu, vice-president of China Consultants of Accounting and Financial Management Inc; and Prof Lou Erxing, chairman of the accounting department of the Shanghai Institute of Finance and Economics.

A major objective of the conference will be to generate ideas for China to review its standards in accounting and financial management, to cope with the modernization program.

"China recognizes that it must make changes and improvements," said Mr Yung.

Nowhere is this more evident than in China's drive to increase its number of certified public accountants from 1,000 today to 10,000 over the next five years. Hong Kong has 850 CPA's among its 3,000 qualified accountants.

The seeds for next year's conference were sown in June when a delegation from the Hong Kong Society went to China to discuss matters of mutual interest and concern with their counterparts from the Accounting Society of China.

The status of accountants in China has been greatly elevated in the past few years. Previously, they were regarded as clerks who kept records and did not bother much about things like profit.

China's open door policy, which has attracted hundreds of foreign joint ventures, and the new profit-motivated attitudes of all Chinese business operations, have put accountants in a much more important position.

The role now, like many of their counterparts elsewhere, is to be involved in projects right from the start.

They now help bring joint venture partners together, help with negotiations and agreements, and then set up the financial systems.

Their workload has increased recently. Aout 900 foreign joint ventures have been established in China this year, equal to the total for the five previous years.

The organizers believe the conference will present an unprecedented opportunity for foreign businessmen and officials to establish contacts in China.

"Anyone wanting to meet this number of important officials would have to spend weeks, even months, travelling all over the country," said Mr Yung.

"We are worried that the 150 places we have to allocate will not be nearly enough, because the interest in the event is extremely high."

They have to limit the numbers to 300 because of the need for instant translation of all the speeches. The conference will be conducted in English and Mandarin, but not Cantonese.

Among the speakers from Hong Kong will be Financial Secretary-Designate Mr Piers Jacobs.

From the private sector comes Mr Antony Leung, a Citibank vice-president; Prof Steven Cheung of HKU [Hong Kong University]; Mr Anthony Russell of Hong Kong bank; Prof Peter Willoughy of HKU; Mr Derek Cheung of Johnson Stokes and Masters; and Mr Peter Barnett of the Peninsula Group.

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DOMESTIC EXPORTS FALL SEVEN PERCENT IN FIRST TEN MONTHS OF 1985

HK070753 Hong Kong HONG KONG STANDARD (BUSINESS STANDARD supplement) in English 7 Jan 86 p 1

[Text] The volume of domestic exports during the first ten mohths of 1985 declined by seven percent over the same period a year ago, according to official trade statistics released yesterday.

However, over the period total exports increased by six percent in volume terms following a 29 percent surge in the volume of re-exports.

Imports increased by six percent in volume terms. Over the same period, the prices of domestic exports remained unchanged and those of re-exports rose by two percent. Prices of imports dropped by three percent.

Comparing October 1985 with October 1984, the volume of total exports dropped by one percent comprising an increase of eight percent in the volume of re-exports and a decline of seven percent in that of domestic exports. Imports increased by four percent in volume terms.

Prices of domestic exports and re-exports dropped by four percent and one percent respectively, so that for total exports, prices decreased by three percent. Prices of imports decreased by two percent.

Extending the period of comparison to the 12 months ending October 1985 with the 12 months ending October 1984, the volume of domestic exports decreased by 6 percent, while that of re-exports increased by 29 percent, giving an increase of 7 percent in the volume of total exports.

Meanwhile, the volume of imports rose by 7 percent. Prices of domestic exports and re-exports rose, on average, by 2 percent and 3 percent respectively, while that of imports dropped by 2 percent.

Domestic export prices of many commodity groups fell in October 1985 compared with October 1984. These included radios of all kinds (down 12 percent); domestic electrical appliances (down 10 percent), metal ores and scrap (down 9 percent); textile fabrics (down 8 percent); footwear (down 8 percent) as well as watches and clocks (down 7 percent).

Increases in domestic export prices were recorded for some commodity groups such as electronic components (down 5 percent), travel goods, handbags and similar articles (3 percent) as well as textile yarn and thread (3 percent).

The domestic export volume of many commodity groups decreased in October 1985 compared with October 1984, the more substantial ones being metal ores and scrap (down 32 percent); radios of all kinds (down 31 percent); travel goods, handbags and similar articles (down 27 percent%; textile madeups and related articles (down 25 percent); electronic components (down 20 percent) as well as domestic electrical appliances (down 19 percent).

However, increases in domestic export volume were recorded for textile yarn and thread (20 percent) watches and clocks (8 percent), footwear (6 percent) as well as textile fabrics (3 percent).

Import prices of some end-use categories decreased in October 1985 as compared with October 1984, ranging from 5 percent for raw materials and semimanufactures to 8 percent for foodstuffs. The import prices of consumer goods and capital goods both rose by 2 percent in October 1985 as compared with October 1984.

Many of the major imported foodstuffs increased in volume terms in October 1985 compared with October 1984. Significant growths were recorded for soya bean oil, peanut oil and lard, live poultry, tea and coffee, meat and meat preparations, milk, butter, cheese and eggs, fruit, rice as well as vegetables. However, decreases in import volume were registered for wheat and flour as well as sugar.

Over the same period, the import volume of many consumer goods increased, the more substantial ones being alcoholic beverages, watches, footwear, tobacco manufactures as well as clothing.

However, decreases in import volume were registered for radios, television sets, gramophones, records, tape recorders and amplifiers, household type electrical appliances, passenger motor cars as well as cameras, flashlight apparatus and supplies for photography.

The import volume of some raw materials and semi-manufactures rose in October 1985 compared with October 1984, including iron and steel, dying, tanning and coloring materials, watch and clock movements, cases and parts, cotton yarn and thread; special textile fabrics for industrial purposes; yarn of man-made fibers; woven cotton fabrics as well as wood, lumber and cork.

Decreases in import volume were noted for man-made fibers; wool and other animal hair; thermionic cathode valves and tubes, diodes, transistors and electrical microcircuits; yarn of wool and mixtures; crude animal and vegetable materials as well as plastic molding materials.

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CSO: 4020/177

PRC'S CITIC TO ASSUME MAJORITY SHARES OF HONG KONG BANK

HK081346 Hong Kong AFP in English 1253 GMT 8 Jan 86

[Text] Hong Kong, 8 Jan (AFP)--The troubled Ka Wah Bank here has reached agreement in principle for a Beijing-controlled investment concern to take a major shareholding in the bank, it was announced here today.

The China International Trust and Investment Corp (CITIC) will take a majority shareholding under an agreement for a capital reconstruction of the bank, the bank's financial advisers, East Asia Warburg, said.

It is the first time that China has moved in directly to take over a troubled financial institution in Hong Kong, observers noted.

Today's announcement did not indicate the size of CITIC's planned stake in Ka Wah, controlled by the Low family of Singapore, but market sources here put it as high as 90 percent.

Further announcements about the agreement will be made in the near future, the statement said.

The new agreement superceded an earlier possible arrangement, the announcement added.

Earlier today, market sources said that CITIC had stepped in when a Dutch financial concern, Amev N.V., appeared to have second thoughts about its part in a partial takeover bid for Ka Wah.

Last month, Ka Wah announced that it was negotiating to issue new shares to two investors, Amev and Kaihin Enterprises Co.--a 50-50 joint venture of Singaporean and Mainland Chinese interests.

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CSO: 4020/177

BRIEFS

STOCK MARKET RECORD HIGH--Hong Kong, 7 Jan (XINHUA)--Investors expect good profit growth from listed companies in 1986 as the market is still moving its way to a higher level after it closed at 1815.53 this afternoon. Howard Gorges, executive director of Sun Hung Kai Securities, one of the biggest stock brokers here, said that doday's record was reached not as a result of any particular event of speculation, but as a part of accumulation. He described the present market as a sober one but not over-heated as compared with 1981 when the Hang Seng index closed at 1810.20, but dropped rapidly soon after. He said that the market is still moving its way up rather than topping out. The Hang Seng index at the end of last year was 43.6 percent up from the year before. [Text] [Beijing XINHUA in English 1617 GMT 7 Jan 86 OW] /9738

TRADE DEVELOPMENT COUNCIL OPENS--The Trade Development Council [TDC] has opened an office in Beijing--its first in the country. TDC's China manager W.H. Wong told BUSINESS NEWS a three-year lease was signed last week for the new premises, located in Beijing's prestigious CITIC [China International Trust and Investment Corporation] building. Mr Wong said the move, which had been under development for some time, got the nod from China's Ministry of Foreign Economic Relations and Trade. "It's a big move for the TDC," said Mr Wong, who will be running the 600 sq ft office with the help of one assistant. His title will be chief representative. The TDC has a busy program in China this year, with about six outgoing promotions to the country on the books. "The office will allow us to have someone in the country to handle the coordination. It should make things a lot easier." Hong Kong businessmen on trips to Beijing will also be able to visit the office for trade assistance, he said. [Text] [Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 23 Dec 85 p 1 HK] /9738

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END

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China Report

ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

PRC JOURNAL EXAMINES ROLE OF MONEY SUPPLY

HK070434 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] No 11, 20 Nov 85 pp 41-45

[Article by Yu Hongren [2496 1347 0088] of the Finance, Trade, and Economics Institute of the Chinese Academy of Social Sciences: "Control the Money Supply and Enliven Credit"]

[Text] Control of the Money Supply is the Key to Macroeconomic Control by the Banks

The socialist economy is a planned commodity economy. One of its important hallmarks is that the state can consciously exercise macroeconomic control over the state economy. The primary aim of macroeconomic control is to maintain a balance between total social demand and supply through price, and to use the magnitude of value to maintain a basic unity between the variety of goods supplied and the needs of society. The achievement of this aim can assure the planned, proportionate, and coordinated development of the national economy. This article will concentrate on investigating the issue of the role of the money supply in balancing total social supply and demand in terms of the magnitude of value.

The balance between social supply and demand may be achieved from two angles: increasing supply, or controlling demand. Under conditions of a fixed rate of production growth and commodity supply growth, the proper control of social demand is extremely important to the achievement of an overall balance between total social supply and demand. Total social demand is made up of three factors: enterprises' financial expenditures, state financial expenditures, and bank credit expenditures. In general, the social demand created by an enterprise's financial expenditures is balanced out by social supply in the magnitude of value, because an enterprise will have only as much spending power as it creates in income for itself by creating products for society. Public financial expenditures and bank credit expenditures, on the other hand, are different. Their balance or otherwise with income has a great effect on the balance between social supply and demand. If there is a public financial deficit, or if credit deficits are too big, and exceed the requirements of economic development, too much money will be in circulation, too much social spending power created, and social demand will become inflated. Therefore in order to control total social demand and make it balance with social supply, it is necessary to eliminate the financial deficit and excessive credit.

In China, enterprise income and expenditures, state revenues and expenditures, a bank credit income and expenditures, are all supported and formed by the money supply, and the circulation produced by all of their income and expenditure activities must go through the banks. Therefore, by gaining control of the bank "door," and controlling money circulation, it is possible to control total social demand. Under conditions of a fixed rate of money circulation (the quantity of money in circulation dictates the size of total social demand.) Essentially, then, the control of the amount of money in circulation constitutes controlling the total social demand, and is an important way of effecting a balance between social supply and demand.

Under China's present financial system, public financial income and expenditures and credit income and expenditures are intimately linked. If financial income and expenditures are unbalanced, this may directly or indirectly affect credit income and expenditures. If there is a deficit in public finance, the state will borrow directly from the bank, and if the bank continues to maintain its previous scale of credit, if it neither reduces loans to enterprises, nor increases deposits, it must necessarily increase its credit deficit, and will ultimately be forced to increase the money supply. If public finance issues treasury bonds to make up for its financial deficit, it will indirectly influence credit income and expenditures, because the buyers of treasury bonds are mainly enterprises and citizens; if enterprises buy treasury bonds, they will reduce their deposits, and similarly if citizens buy such bonds they will reduce the rate at which their deposits increase. All of this will expand the credit deficit, and will still lead to enforced currency issuance. The issuance of more money, meanwhile, will by no means increase goods and materials; it will only make the quantity of money in circulation inconsistent with the need for commodity circulation, create a situation in which total social demand exceeds total social supply, and therefore lead to chaos in economic life, which will have an unbeneficial effect on the growth of the national economy. Therefore, the question of how to control and regulate the amount of money in circulation and the money supply is the key question in how banks are to control the macroeconomy.

The volume of money in circulation includes both the cash in circulation on the market and current account deposits which may be transferred. In line with this, the amount of money invested or loaned (normally referred to as the money supply) also includes two parts, cash and deposits. The proper control of the money supply will enable us to control and regulate the amount of money in circulation, and thereby control social demand. Therefore, the control of the money supply represents the central substance of macroeconomic control by the banks, and is an important issue affecting the overall economic situation.

How are we to control the money supply properly? One view is to use the method of controlling the issue of cash to control the scale of credit, and thereby control the money supply. This view is established on the basis of an unchanging rate of cash circulation, and relatively stable cash-loan ratio. If these conditions do not exist, it is difficult to maintain this particular view. In the current economic system reform, the rate of cash circulation changes considerably, and the amount of cash in the total volume of loans is also unstable. For example, during the 1960's and 1970's, cash amounted to around 11 to 13 percent of loans, but by 1984 this figure had increased to 17 percent. Under conditions in which cash circulation slows down, cash increases as a proportion of loans, and deposits decrease compared to loans, if the issue of cash is controlled at the same rate, there must be a commensurate reduction in the scale of credits and money supply, and this will not be in line with the normal needs of national economic growth. Conversely, when cash circulation speeds up, cash drops as a proportion of loans, and deposits rise in relation to loans, if cash continues to be issued at the same rate as before, this may lead to an expansion in the scale of credits, and an excessive increase in the money supply. It is currently unfeasible to use control of cash issuance to control the money supply.

Another proposal is to use the method of controlling credits to control the money supply. What we mean here by credit control is not only control by the central bank over the increase in loans to specialized banks, but also the control by specialized banks over loans to enterprises; that is, control of the credit margin. In my opinion, the method of using control of the loan margins by specialized banks to control the scale of credit is like "giving up eating for fear of choking," that is, failing to doing something necessary for fear of a slight risk. When the specialized banks' loan margin (or loan increase figure) reaches the control figure, though there are still deposit sources, they cannot give any more loans even if there are more deposits. If this is the case, credits may become too rigid, and consequently the economy will do the same. This does not help the banks play their role in promoting economic development, and may lead to certain side effects. For example, though the economic results of a certain enterprise's production are good, since it lacks the necessary support from loans, it cannot buy the raw materials it needs for expanded reproduction; again, the products of a certain enterprise may not be able to be sold because the purchasing units lack the funds to buy them, which will in turn effect the smooth operation of expanded reproduction. Tightness of funds may also mean that bank loans are not paid back on schedule. Moreover, the control of the loan margin will not necessarily bring the issue of cash under control, because after bank loans are transformed into enterprise deposits, the enterprises may realize expenditure by transferring accounts, or may take cash to use as wage payments and carry out other purchases. Deposits and cash are mutually transferable, and if the ratio of cash increases, the same amount of loans will require more cash expenditures. Therefore, loan margin control as a method of controlling the scale of credits and thereby controlling the money supply is not all that good either.

Means of Control and Paths to Enlivenment

To control the money supply properly, it is first necessary to solve the problem of guiding thinking on monetary policy. Should we promote economic development through an inflationary policy, or maintain the principle of a stable currency and economic development? These are the two choices in monetary policy. Printing money to carry out construction is not a good method. It can only overstretch the capital construction frontline, and reduce economic returns on investment. If you try to stimulate production by issuing money, though at first production rates will increase, eventually, due to an imbalance between social demand and supply, and a loss of coordination in the national economy, the speed of growth will decrease. Moreover, as soon as inflation goes out of control, it can have all sorts of bad effects on national economic growth, and has no advantage to the state or the people. Therefore, it is necessary to uphold a policy of a stable currency. According to the law of money circulation put forward by Marx, the amount of money in circulation can only be decided by the needs of commodity circulation. That is to say, the amount by which the money supply is increased within a certain period of time should be decided according to the growth rate of commodity circulation throughout society, in combination with factors such as changes in the rate of money circulation. This is the theoretical basis for money supply control, and for the control and regulation of money circulation.

Under the guidance of the above thinking, control may be exercised over the money supply by the following means.

First, controlling the money supply by means of plans. The right to issue money (that is, cash), belongs only to the central authorities. The state draws up a plan for money issuance based on the needs of national economic development, and following authorization by the NPC Standing Committee, gives it to the central bank to carry out. Under no circumstances can the plan be exceeded. If, due to relatively big changes in the state of the national economy (such as a slowdown in the rate of cash circulation, a rise in the proportion of cash loans, and so on), there is a need to readjust currency issuance plans, the reasons for this must be explained to the NPC the approval sought. According to the principle of taking currency circulation as the base, and of currency issuance dictating bank credit, after the currency issuance plan has been determined, the amount of currency to be issued may be taken as credit funds as a source of drawing up a credit plan, and used to define the growth rate of loans given by the central bank to the specialized banks in each budget year. This is the money supply we must control. Following this, the credit plans drawn up by the various specialized banks will be combined and an overall balance achieved, so that the credit margin of each bank may be decided upon and on this basis the central bank will give out loans to the specialized banks. The amount of loans given out by the central bank in its yearly plans (or the money supply) forms a mandatory figure, which must be strictly controlled and exceeded; the credit margins of the various specialized banks in each planning year also represent mandatory quotas, and the specialized banks must act within the scope of this credit margin. Their credit income and expenditure activities must balance themselves, and they must not exceed the credit margin at will, or demand more loans from the central bank. Only by eliminating the phenomenon of the specialized banks arbitrarily demanding loans from the central bank and eating out of the "big pot" of central bank funds can we ensure that the central bank's loan plan is not exceeded, that the central bank's loan figure is controlled, that the money supply is similarly controlled, and that total social supply and demand are also brought under control.

Second, controlling the money supply from the point of view of the supply of credit funds, through the use of reserve fund methods. In China, reserve funds have the dual function of regulating credit funds and controlling the scale of credit. If not enough reserve funds are being withdrawn, and the scale of specialized bank credit expands, then once it becomes impossible to ensure the demand for funds arising from withdrawal of deposits, there will be a pressing demand for more loans from the central bank, and the money supply will increase. Conversely, if too many reserve funds are withdrawn and the scale of specialized bank credit is too small, it is impossible to satisfy the needs of economic development. Therefore, the central bank should, in the light of the state of national economic development, of currency circulation, and of supply and demand of market funds, promptly raise or lower the ratio between withdrawal and deposit of reserve funds (the deposit reserve rate), readjust the credit scale of specialised banks, and thereby control and regulate the money supply.

Third, controlling the money supply through the use of interest rates to reduce demand for loans. Once the circulating funds of state enterprises are managed in a unified way by the central bank, there is a great pressure of demand from the enterprises for bank loans, a pressure which is increased by administrative interference. If this problem is not properly solved, it will be very difficult to control the credit margin, and therefore difficult to control the money supply. By raising interest rates on loans, it is possible to reduce the demand for loans, and therefore reduce pressure on the national bank from loan demands. This will produce better results than simply using credit methods. The latter course of action often makes it difficult to solve the contradiction between banks and enterprises on the question of whether to give loans or how much to give. Of course, when using interest rate methods, it is still necessary to adopt the appropriate measures from the point of view of finance and taxes. For example, an enterprise's expenditures on interest should not be calculated as part of its costs, but as expenditure of after-tax profits, because the source of interest is in surplus commodity value. In this way, it is possible to link expenditures on interest closely with an enterprise's economic results, and is therefore conducive to the improvement of enterprise management, the speeding up of fund circulation, and the reduction of loan demands. Again, in the sphere of taxes, tax exemption or preferential tax treatment of rural enterprises and collective enterprises should be reduced or even eliminated; otherwise, even though once the interest on loans is raised and interest expenditures will become a more significant part of profits, some enterprises with bad economic results will gain great advantages from tax exemption or preference, and will therefore still be willing to carry on production through more loans. This in turn will weaken the function of interest methods in reducing the demand for loans, reducing the scale of credit, and controlling the money supply.

Generally speaking, the above methods consist of mainly using the control of the central bank loans, that is, the control of the credit margin, in coordination with readjustment of the reserve rate and loan interest rate, to control the scale of credits, and thereby achieve the goal of controlling the money supply.

On the premise of controlling the money supply, we must enliven credit, and the way to do this is to genuinely make the specialized banks into relatively autonomous economic entities, making them more like enterprises which enjoy autonomy over credit business. As long as the specialized banks do not exceed the credit margin figure, and do not demand more loans from the central banks, the more loans they are paid back, and the more deposits they take, the more loans they may be permitted to give out. Only in this way can credit be opened up and enlivened, and only in this way can we better support the development of production and circulation.

Can an increase in deposits and loans increase the money supply? There are three main sources for specialized banks to organize deposits: Financial deposits (handed over to the central bank entirely in the form of reserve funds), enterprise deposits, and savings deposits by individual citizens. If a bank uses enterprise deposits as a source of credit funds to issue as loans, it is turning the purchasing power of the depositing enterprise into a loan for enterprise use; if a bank uses savings deposits as a source of credit funds to issue as loans, it is turning the purchasing power of citizens into loans for enterprise use and turning consumer funds into production funds. All of this is conducive to the promotion of production growth and the supply of more commodities and the withdrawl of currency. Therefore, if banks take more deposits and give out more loans, and use deposits from enterprises and citizens to issue loans, they are essentially concentrating funds and currency already in existence in society, solving temporary demands for funds, balancing out surpluses and shortages of funds between enterprises, and readjusting the structure of social fund use. As long as the specialized banks are able to ensure that deposits may be withdrawn at any time, and that they will not exceed the credit margin or demand more loans from the central bank, then the money supply cannot increase, and total social demand cannot expand, nor can the balance between total social demand and supply be affected.

Of course, at the same time as enlivening credit, the specialized banks must maintain credit policies, principles, and measures, and take into account the social and economic results of loans. In the issue of loans they should have full autonomy and not be subject to any administrative interference; and the phenomenon of enterprises eating out of the banks' "big pot" should be overcome.

The Correct Handling of Relations Between the Central and Specialized Banks

In order to control the money supply and enliven credit, it is necessary also to properly handle the relations between the central and specialized banks, and make organizational guarantees of this in the banking system. As the central bank, the Bank of China is the state organ through which the State Council leads and manages the business of finance throughout the country. Its most basic functions are as follows: 1) The unified formation of the strategy, principles, policies, rules, plans, and basic system for financial development, and the supervision of their implementation by specialized banks; 2) unified management of currency issuance, regulation of money circulation, and maintenance of the stability of currency value; and 3) unified management of credit funds, control of the scale of credit, regulation of the surplus or lack of specialized bank funds, and the coordination of business activities between specialized banks. Through these functions, it achieves macroeconomic control over finances, and control over the money supply. The specialized banks are relatively independent financial enterprises, and on the premise of following the financial policies, principles, laws, plans, and system drawn up by the central bank, they independently and autonomously organize deposits, issue loans, and carry out accounting, and have the right to adopt varied forms to open up business activities, and to use their own credit funds. The exercise of the functions and rights of the specialized banks represents the guarantee for enlivening credit.

The relationship between the central bank as a financial management organ and the specialized banks as financial enterprises is not one of commander and subordinate, but the specialized banks must accept the management of the central bank. In business, the specialized banks must accept the leadership of the central bank, while the central bank must in turn give the specialized banks autonomous management rights. This relationship is expressed mainly in the following aspects:

1. Macroeconomic finance control. The central bank has strong powers over finance, and this power is expressed in two aspects: 1) Policy management. The central bank, as a representative of the State Council, draws up financial principles, policies, laws, and systems, and following authorization by the State Council, organizes their implementation, and supervises and examines the way in which they are implemented by the specialized banks. On condition that they obey these principles, policies, and laws, the central banks may carry out management activities autonomously. 2) Plan management. In light of the state of national economic development, the central bank combines the credit and fund plans submitted to it by all levels, carries out overall balancing, and draws up state credit plans and plans for income and expenditure of funds. Following authorization by the State Council, these are carried out, and quotas like bank credit margins are implemented as mandatory plans. Other quotas represent guiding plans, and banks at all levels must use them as reference. The credit margin quota represents the quota for central bank loans to specialized banks, has an effect on the scale of credit, and directly effects the banks' money supply; it must be strictly controlled, and the specialized banks cannot exceed it at will; we must overcome the situation in which the central bank is hard pushed to balance its books. On the premise of ensuring that the credit margin will not be exceeded, the central bank should not interfere too much in the credit activities of the specialized banks, neither should it control the loan margins of these banks. If they accept more deposits they should be able to issue more loans, enabling them to enliven credit activities. Of course, it is permissible to exercise the appropriate control over certain loans, such as loans for fixed assets and technological transformation, according to the state of national economic growth.

2. Credit fund management and regulation. As the center for control and regulation of credit funds, the central bank may use the form of withdrawing reserve funds to concentrate a certain amount of funds in its own hands, these funds, along with newly-issued currency, will form the source of credit funds, and will then be distributed to the various branches of the central bank according to the state of economic development, and the central bank branches will then loan them to specialized banks for their use. The central bank has the right to readjust the reserve rate according to the state of national economic development, and the specialized banks must diligently carry out instructions so as to control the credit scale and the money supply.

The only way to enliven credit is for the specialized banks to use the deposits they retain after handing over reserve funds to the central bank, along with loans from the central bank and existing funds, to carry out independent management; issuing more loans the more deposits they take. Specialized banks may borrow funds from each other, strengthen horizontal links, and therefore balance out surpluses and deficits. The central bank may also open special deposit accounts at specialized banks which may be used for borrowing and lending between the specialized banks, and thereby act as a financial bridge.

3. Information guidance. The central bank should become a nationwide economic information center; this is an essential condition for the functioning of the central bank and indeed the entire financial system. A socialist bank is the central axis for nationwide monetary activity, with close economic ties to all the departments and sectors of the national economy. Consequently, the state of enterprise production and sales, market supply and demand, and the major ratios of the national economy are all reflected in banking activities. Therefore, the establishment of an economic information network centered on the central bank, which will analyze and research all sorts of economic information, circulate such information promptly to the specialized banks, and form the basis for microeconomic regulation, thereby governing and guiding the business activities of specialized banks, will play a positive role in the control of the money supply and the enlivenment of credit.

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MEETINGS ON DEVELOPING TERTIARY INDUSTRY HELD IN WUHAN

Wuhan CHANGJIANG RIBAO in Chinese 26 Jun 85 p 1

[Report by Shi Futiao [2457 4395 6148]]

[Text] Yesterday, the municipal people's government convened a plenary meeting at which the governor, vice governor, and 200 people, including responsible comrades of the organs directly under municipal jurisdiction and large-scale enterprises, assembled to discuss the grand plan for development of tertiary industry.

Since this year, positivee momentum has appeared in the development of Wuhan's tertiary industries. Output value for the first quarter was 992,900,000 yuan, an 18-percent increase compared to the same period last year, while employees of tertiary industries has reached 970,000. The problem addressed at the meeting was how to accelerate development of tertiary industries on this foundation.

In his speech at the meeting, Governor Wu Guanzheng [0702 1351 2973] said: In developing tertiary industries, we must make full use of the existing foundation provided by our primary and secondary industries, establish our foothold on reform, persevere in self-reliance, direct our vision inward and tap our internal potential, so that, through developing the tertiary industries, we will create the conditions for improving labor productivity for the primary and secondary industries and improving overall benefits to society. The state, collective and individual must advance together and the various trades and undertakings must advance together. We must persevere in serving production and construction, serving the people's livelihood, working to promote market prosperity, and working to promote our regional economy. We must also persevere in the principles of adapting to local situations, making overall plans, emphasizing key projects, inspiring various undertakings, and bringing about development of diverse components, levels and forms with high results and stability.

Wu Guanzheng analyzed the superior conditions for the development of Wuhan's tertiary industries and proposed that we must give priority to developing the trades and undertakings which serve production and construction as well as the people's livelihood. While developing the traditional trades and undertakings, we must actively support the nascent service trades, as this is the focus of tertiary industry development. Currently, we must give prominence to developing communications and transportation with water transport as the key; developing posts and telecommunications; vigorously developing commerce, the catering trade and various service trades; operating variou types of trade centers, farmer's markets and trading shops; speeding up the development of nascent undertakings in education, information and consultation; actively developing such undertakings as advertising, leasing, tourism and culture and recreation; and continuously developing the market for production materials, the monetary market, the scientific and technological market, and the labor service market; and fully exercising the city's multiple functions.

At the plenary meeting of the municipal people's government yesterday, the participants discussed and passed corresponding policies and measures which must be adopted in developing the tertiary industries. The enterprise could make use of the surplus labor force and idle equipment and factory buildings as well as production technology to support the tertiary industries. Faithfully observing the spirit of the Central Committee "decision on strictly forbidding the involvement by party and government organs and party and government cadres in business and establishment of enterprises," the government organs and leading bodies have persevered in the principle of "dividing responsibility between the government and enterprise and separating officials and businessmen" in setting up the tertiary industries. The collective enterprises are permitted to run telecommunications, small monetary services, small insurance business, tourist, consultation and information services. Exclusive operation by the commercial service network of parks, scenic areas and amusement parks has been shattered. Other commercial enterprises are permitted to perform these business operations. Through examination, individuals are permitted to run knowledge-intensive undertakings which emphasize labor service and which demonstrate urgent need, such as clinics, law offices and accounting services. Through assessment by concerned departments, the scientific and technological personnel who take part in the consultation services can draw a definite amount of wages and bonuses from the profits obtained through service. The first floor of the permanent residential houses on major city streets can be used as business locations for the tertiary industries. Commerce and service trades are permitted to occupy the walls of the main streets as long as they do not block the streets. The various concerned sectors must actively assist the peasants who come to the cities and towns to set up tertiary industries in solving such problems as sites and living quarters. The peasants should be allowed to build trade buildings and restaurants and other service facilities in the section of the fair towns and suburbs where commerce and service trades are not developed. The concerned urban sectors must give appropriate preferential treatment to the peasants in the areas of taxation, loans and material supply. They must support and protect the legal long-distance transport for peasant marketing efforts. The various prefectures, counties, bureaus and concerned departments must simplify the procedures for approval upon examination. The industrial, commercial, banking, tax and labor sectors must complete the procedures for settling the households and setting up business as soon as possible for those who meet the terms for the establishment of tertiary industries.

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NATIONAL POLICY AND ISSUES

PRC JOURNAL ON REFORM OF TOBACCO MONOPOLY

HK130751 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] No 11, 20 Nov 85 pp 36-40

[Article by the investigation group of the Institute of Industrial Economy under the Chinese Academy of Social Sciences: "An Investigation of the Problems in the Reform of the Tobacco Monopoly System"--written in October 1985]

[Text] The tobacco industry is an industry which must see controlled development and is also one which has great significance in terms of state financial income. At present, the tobacco industry faces two major tasks: 1. It needs to further improve economic results so as to provide more accumulation funds for the state and to accord with the demands of socialist modernization. 2. It must raise product quality and greatly increase the production of top-quality tobacco in order to satisfy the peoples' consumption demands. Thus, how we are to further do well in reform and promote a great improvement in economic results and product quality is a great problem requiring urgent investigation and resolution by the tobacco industry. Thus, recently we carried out a quite systematic investigation of the tobacco industry, and successively held discussions with the comrades of the planning, production, financial, science, and technology, materials, sales, and import/export departments of the China Tobacco Corporation. Also, together with the comrades in the corporation, we investigated over 30 tobacco companies, cigarette factories, tobacco research institutes, tobacco planting bases and such enterprise units in the 6 provinces/cities of Beijing, Shanghai, Zhejiang, Guangdong, Yunnan, Henan, and Anhui. By these means, we carried out analytical research into the present situation of, and the problems in, the reform of the nation's tobacco industry.

The Tobacco Industry Has Achieved Initial Successes in Implementing the State Monopoly and Unified Management

The tobacco industry is an industry with high accumulation. At present, the profits handed over to the state annually by this industry constitute 8 percent of national financial income, and thus it is one of the important sources of such income. In order to develop production in a planned way and guarantee state financial sources, in May 1981, the State Council decided to institute a state monopoly for tobacco and establish the China Tobacco Corporation. In September 1983, the State Council promulgated the "Tobacco

Monopoly Regulations" and established the State Tobacco Monopoly Bureau. Over the last few years, initial results have been achieved in the institution of the monopoly in, a unified management of the tobacco industry:

1. Tobacco companies have been established at various levels and enterprise planning is being handed up. Apart from Xizang, which has not established a tobacco company, the vast majority of the provinces, cities, and autonomous regions have set up tobacco companies and tobacco monopoly bureaus. Of these, 19 provincial-level companies and the Chongqing City company have handed up their planning to the corporation for its unified management. Their cigarette production and tobacco purchasing quantities constitute 86 percent and 82 percent of the national totals respectively.

2. There has been reorganization of those cigarette factories outside the plans and hand-made cigarettes have been suppressed. Over the last few years, a total of over 300 cigarette factories outside the plans have been closed and various phenomena which have existed for a long time, such as blind development by small cigarette factories and illegal trade in hand-made cigarettes, which has disrupted the markets, have been curbed.

3. Production cooperation and horizontal economic relationships between various provinces and cities have been developed. Joint production has been arranged between Anhui and Shanghai, Shanghai and Henan, Shanghai and Guangdong, and Guangdong and Yunnan. In 1984 alone, an extra 500,000 cases of high-quality saleable cigarettes were produced, resulting in an increase in tax profits of 350 million yuan.

4. Cigarette production and the tax profits realized have both increased quite quickly. The 1984 figures for cigarette production and for tax profits were respectively 24.7 percent and 42.5 percent higher than the figures for 1981, which was before the tobacco corporation had been established. The growth of tax profits exceeded both the growth of production value and growth of output value, and realized the goal set for it by the 6th 5-Year Plan a year ahead of time.

The Obstacles Encountered in Reforming the Tobacco Industry and the Major Problems Which Exist at Present

In the last few years, the China Tobacco Corporation and the State Tobacco Monopoly Bureau have done much work in strengthening the unified management of the tobacco industry. However, there are many problems at present which interfere with the state tobacco monopoly and obstruct the reform of the tobacco industry. Also, there are some contradictions related to the development of the overall industry which have not yet been basically resolved. These are mainly manifested as follows:

1. Some provinces are unwilling to hand up tobacco enterprises' planning, thus obstructing centralized and unified management. Back in 1981, the State Council determined that cigarette industry enterprise units would be subject to the corporation in a unified way, and that the corporation would exercise

unified management over the tobacco industry in terms of supplies, production, and sales as well as personnel, finances, and materials. In the last few years, the tobacco corporation has, in accordance with the State Council's decision, grasped the work of getting enterprises to hand up their planning as an important task. However, in practice, great obstacles and interference has been encountered, with the result that even now the handing up of planning has not been completed. Some provinces have all along failed to sign agreements on handing up planning and failed to make arrangements in terms of handing up planning. Some have signed agreements on handing up planning, but have stalled and are unwilling to hand up planning in respect of enterprises' financial matters. This is especially so in some key tobacco-producing provinces where planning in terms of their enterprises' jurisdiction and financial relationships has not been handed up. This has resulted in difficulties in completely realizing centralized, unified management of the tobacco industry.

2. Various areas are blindly developing production, and this is not subject to the control of state plans. Tobacco is a highly-taxed product. Since the implementation of the financial task responsibility system, in order to increase local financial income, some provinces and cities have blindly expanded tobacco cultivation areas and increased cigarette production which is not in accord with the production arranged through state plans. It is predicted that the area planted to flue-cured tobacco this year will exceed the plans by 3 million mu, and that production will exceed the plans by 10 million dan. Cigarette production will also exceed the plans by 2 million cases. This will give rise to phenomena whereby it will not be possible to purchase tobacco, it will not be possible to store the tobacco, and it will not be possible to sell the cigarettes and they will go mouldy in storage.

3. Some provinces, cities, and regions have changed the state tobacco monopoly into local monopolies. This has blocked up the normal circulation channels and obstructed the unified management of the market. High- and medium-quality tobaccos are the raw materials for first-grade and second-grade cigarettes. One dan of good tobacco processed into cigarettes will produce 10 times the tax it would as tobacco. Thus, the tobacco-producing areas retain as much of the good tobacco as possible to process themselves. They are not willing to transfer the tobacco, with the result that some well-known brands of cigarettes cannot be produced due to lack of raw materials. For example, take the superior-quality tobacco required in the first half of the year by the Shanghai Cigarette Factory to produce Zhonghua-brand cigarettes--Henan was only able to supply 40 percent, Guizhou 35 percent, and Yunnan 30 percent of their material allocation tasks as set down by the corporation. In the past, the annual production of Zhonghua-brand cigarettes reached 19,000 cases. Now, only 3,000 to 4,000 cases can be produced.

In the sale of cigarettes, various areas, in order to protect local interests, do everything possible to support the cigarette factories in their own locality. On the one hand, they adopt blockade policies in respect of importing cigarettes from other provinces, with the result that the masses cannot buy good cigarettes which are produced in other regions. On the other hand, they use drawback subsidies and such measures to support the local cigarette factories in selling competitively at low prices, thus causing a drain on state financial resources. Loopholes also exist in market management, and in some areas plain-wrapper, non-brand cigarettes often appear. In state-run shops one cannot buy good cigarettes while large quantities of the superior cigarettes come into the hands of small traders who raise prices at will. Control over imported cigarettes is also insufficiently strict. Apart from state planned imports, in the coastal areas large quantities of foreign cigarettes are gushing onto the domestic market through small-scale border trade and duty-free avenues at customs checkpoints.

The main reasons why the above-mentioned problems exist in the implementation of the monopoly in, and in unifed management of, the tobacco industry are as follows: 1. The allocation of benefits is not sufficiently rational. Tobacco and tobacco products are high-tax products. The aims of the state in implementing the high-tax policy are: 1) To restrict the blind development of tobacco and cigarette production, as "localities are forbidden to levy the tax." 2) To increase the state's and particularly the central authorities' financial income. However, during the second step of the reform to substitute tax payment for profit delivery, no special policies were adopted in respect of the high taxes on tobacco and cigarettes. These were mixed together with the product taxes on ordinary consumer products and were included in the income to be shared between the central authorities and local authorities. Thus, the tax income from tobacco and cigarettes has remained entirely or mostly in the localities, and has become an important source of income for the local financial departments. This has resulted in the high taxes not only failing to play a role in restricting the blind development of tobacco and cigarettes, but actually becoming a motive force in encouraging local blind development of tobacco and cigarette production. The present blind expansion of areas planted to tobacco and the arbitrary excessive production of cigarettes which is occurring in various areas, is the root of the problems whereby there are mutual blockades between cigarette markets, whereby good tobacco is not transferred, whereby brand-name cigarettes cannot be produced and whereby several major tobacco-producing provinces are unwilling to hand up planning in terms of their enterprises' jurisdiction and financial relationships.

2. Ideological understanding is not unified. The comrades in many areas lack a clear understanding as to the significance of the implementation of a state monopoly in respect of the tobacco industry. They do not understand why other products are being freed and tobacco and tobacco products are subject to monopoly. Also, they do not understand why enterprises in other sectors are being delegated power while tobacco industry enterprises are having to hand power up. Likewise, they do not understand why other industries are being decentralized and the tobacco industry must be subject to unified management. They erroneously set the tobacco industry monopoly against the current economic reforms, and adopt an attitude of resistance in respect of unified management by the tobacco corporation.

3. Internal management of the tobacco industry is imperfect. The tobacco corporation has not been established long and its internal management system and structure are still not perfect. In some areas, although the name plate has been hung up, they do not have any staff who really engage in management. Management thus exists only in name. Some organs have management staff, but their quality is low and they cannot meet the demands made by the monopoly and the unified management of supply, production, and marketing. The authority of the organs at various levels is clearly differentiated from that of the economic organs, and there are insufficient connections between the three links of supply, production, and marketing. Also, mandatory planning lacks a scientific nature and is difficult to enforce while administrative interference by local governments in the enterprises under the tobacco corporation is excessive.

Further Reforming the Tobacco Industry's Management System and Putting Economic Relationships in Order

To put the economic relationships within the tobacco industry in order and improve economic results, it is necessary to speed the pace of reforms within the tobacco industry, and adopt decisive measures to basically resolve those problems in the tobacco industry which have long remained unresolved.

1. It is necessary to establish a tobacco monopoly tax. This is the key to restricting the blind development of the tobacco industry and to increasing state financial income.

The high taxes on tobacco and tobacco products are "monopoly super-profits" obtained by the state, with a policy of "forbidding localities to levy the taxes." After the financial system changes from the former system of unified income and expenditure to where enterprises are solely responsible for their own profits and losses, and there is "eating in separate canteens" through financial responsibility contracts, these "super-profits" should not become direct income of enterprises. Neither should it constitute direct income of the localities. It should be state income, that is financial income of the central authorities. Thus, in accordance with the demands of this special system of tobacco monopoly, we should further reform the distribution of income from tax on tobacco, divide these "super-profits" from the high-level product taxes at present, and institute a new tobacco monopoly tax. This tax will constitute direct financial income for the central authorities, and the remaining amounts will be handled in accordance with current product taxes. At the same time, we should adjust the bases of localities financial contracts. This is the key to restricting blind development of tobacco production and to increasing state financial income. As to a suitable rate for the monopoly tax and the amount to be left with localities, we should set these in accordance with the principle that they be of benefit to centralized, unified management by the central authorities, but that they should not stifle the enthusiasm of the localities. They should be set through reference, and comparison with other product tax rates and profit rates in other industries.

The present product tax rate for flue-cured tobacco is higher than those for all other economic crops. For example, it is 50 percent higher than the rate for tea, 1.5 times that for raw lacquer and 2.5 times that for logs. We believe that the product tax rate for flue-cured tobacco should be a little higher than the rates for other economic crops. However, to avoid blind development, it should not be too much higher. We could consider taking 35 percent of the present product rate of the monopoly tax to go to central finances. The remaining portion will be basically equal to the product tax for tea. In this way, after the adjustment, the localities will still get a large amount, which means that the localities' interests will still be looked after. At the same time, if we only adjust tax receipts, and the purchase price for tobacco remains unchanged, the interests and enthusiasm of the tobacco farmers will not be affected.

The present average tax rates for cigarette products is much higher than those for other light industry products which mainly use agricultural products as raw materials. For example, it is 5 to 10 times as high as the rates for canned goods, milk powder, liquid beverages, leather, and so on, 3 times as high as that for sugar, and twice as high as that for wine. Through reference to tax rates on various light industry products, we can consider fixing 80 percent of the current cigarette product tax as the monopoly tax, with the revenue going to the central authorities. The remaining 20 percent will be subject to product tax in accordance with current practices. After adjusting things in this way, even though the profit tax rate (excluding monopoly tax) in the cigarette industry will decrease greatly, it will still be higher than the profit tax rates for other foodstuff products such as edible oil, canned goods, refined sugar, and wines. Thus, local investment in cigarette factories will still be able to bring in a little more tax revenue than is forthcoming from other products.

By carrying out the above-mentioned reforms of tobacco and cigarette tax revenue, it will be possible to quite appropriately resolve the current contradiction between the monopoly system whereby tobacco is subject to centralized management by the state, and the financial system of local financial contracts whereby there is "eating in different canteens." This will put the economic relationships of the tobacco industry in order. The advantages of this are: 1. It will be possible to correctly bring into play the role of tax in achieving macroeconomic control and regulation by the state. It will also effectively restrict the tendency towards blind development of tobacco and cigarette production by various areas. 2. It will be able to bring into play the important role of tax in increasing state financial income. In this way, the state will have a relatively regular source of tax revenue and this will become increasingly stable. 3. It can reduce unnecessary administrative interference in the tobacco industry by local governments. It will also be beneficial to the separation of government and enterprise functions and to the enlivening of enterprises. 4. The readjustment of the bases of local financial contracts will alleviate the burdens of increased difficulties in those areas where tax on cigarette production constitute a quite large percentage of financial income. This will also urge all areas to pay attention to developing the local economy in an overall way so as to realize a relationalization of the local economic structure.

2. It is necessary to establish a tobacco monopoly law to strengthen the implementation and supervision of the tobacco monopoly.

The establishment of a state monopoly for tobacco is determined by the special nature of this product. Tobacco and tobacco products are particularly addictive products which have definite harmful effects on people's bodies. Thus, we cannot allow unrestricted production or the policy of small profits with great turnover. We must exercise control over both production and sales. For this purpose, many countries have successively implemented a state monopoly for tobacco. We can see from records that at the beginning of the 1930's, 26 countries in the world had established state tobacco monopolies or had specialized companies for managing tobacco in a unified way. The practice of our nation's monopoly over the last few years has shown that this system has greater advantages than the original system of decentralized management in terms of guaranteeing state financial income and improving market supplies. Implementation of centralized, unified management in the tobacco industry is not contradictory to the basic spirit of the current reform of the economic structure. The central link of our nation's economic structural reforms is the strengthening of enterprises' vigor. As for the tobacco industry, which is a special industry, the tobacco corporation is a large, national enterprise which manages the tobacco industry in a unified way. The cigarette factories, purchasing stations, and sales units in all localities are its internal economic organizations. In enlivening enterprises, we must first enliven the large enterprises that is the tobacco corporation. In expanding the power of enterprises, we must first expand the power of the tobacco monopoly. The state administrative departments, including light industry departments, commercial departments, supply and marketing departments, foreign trade departments and so on have given power to the tobacco corporation in respect of supply, production, and sales and in foreign trade. The governments of various localities have placed the plans of tobacco enterprises in their jurisdiction under the leadership of the tobacco corporation. These actions all accord with the basic spirit of reform in expanding the autonomy of enterprises. This is also consistent with the directions of reform toward the separation of government and enterprise functions and the organization of production through specialized cooperation. As to how the tobacco corporation is to give further autonomy to grassroots-level enterprises, this is a problem of delegating management within the corporation. That is, it is a problem of a large enterprise having to internally further enliven the grassroots level. That view which holds that the implementation of a state monopoly for tobacco, the centralized, unified management of tobacco, and the taking in of enterprises by the tobacco corporation are inconsistent with the spirit of the current reforms, is an inappropriate view.

In order to further unify understanding, guarantee the realization of the monopoly and of unified management, and increase the authority of the state tobacco monopoly, we believe that there is a need to establish a tobacco monopoly law. Tobacco monopolies abroad have mostly been realized through legislation, with violations of the monopoly being criminal violations subject to legal punishment. The "Tobacco Monopoly Regulations" which are currently in force in our nation lack legal effectiveness and authority. Thus, there is a need to formulate, on the basis of these "Regulations," a "Tobacco Monopoly Law." This will have great significance in overcoming the current wanton violations of the monopoly, and in guaranteeing state financial resources. At the same time, we must strengthen the implementation and supervision of the monopoly. On the one hand, we must strengthen overall administrative management of the monopoly by the State Tobacco Monopoly Bureau. On the other hand, we must draw support from the supervisory network of industrial and commercial administration, financial, pricing, and taxation departments. Also, we must use the authority of judicial and procuratorial organs as well as the public security bureau and customs in various areas, and together supervise, inspect, and protect the tobacco monopoly.

3. We must separate government and enterprise functions and strive to enliven the corporation itself as well as its grassroots-level enterprises.

Following the completion of the work of having tobacco enterprises hand up planning and the creation of centralized, unified management, the tobacco corporation should actively do well in internal reform of the industry.

First, it is necessary to carry out the separation of government and enterprise functions. We must clarify the responsibilities of the tobacco corporation and responsible government departments. The tobacco corporation is an economic organization with independent accounting and responsibility for its own profits and losses. It also has the responsibility and right to fulfil the state plans. The responsible state departments mainly exercise the functions of owners of the means of production and cannot interfere in the internal economic activities of enterprises. The planning orders of the various functional management departments of the government, for example the planning, financial, and labor personnel departments should be handed down to the tobacco corporation through the "funnel" of the responsible departments. At present, the tobacco corporation is managed by the Ministry of Light Industry. We believe that a national corporation like the tobacco corporation, which involves agricultural, industrial, commercial, and foreign tradework should be directly managed by the State Council or by the State Economic Commission. It would then be possible to adopt the method of arranging an economic contract between the corporation and the state so as to fix the economic responsibility of the corporation to the state. This would be advantageous to motivating the enthusiasm of the corporation and its subordinate enterprises in providing more tax profits to the state.

Second, the corporation must exercise unified leadership, have graded management and strive hard to enliven the grassroots-level enterprises. At present, the corporation has a four-level management system--corporation, provincial company, branch company (cigarette factory), and county company. Following the raising of the management level and the reduction of the number of enterprises, management levels should gradually decrease. The corporation is a unit under state planning and has direct economic responsibility to the state.

Thus, it should have quite wide authority in terms of operations management. Its main functions should be: To clearly stipulate the operational goals and long-term plans of the corporation and its subordinate enterprises; to formulate technical standards and economic policies; to centrally manage product pricing and import/export business; to control the direction of enterprise investment and production capabilities; to handle well the overall balancing and handing down of annual plans; and to handle the appointment and dismissal of the top-level leaders in provincial companies. The corporation's subordinate tobacco flue-curing factories, cigarette factories, and sales units are the grassroots-level enterprises which directly produce and sell the products, and they should have the basic powers to allow them to complete their production and sales tasks. For example, they should have the right, in accordance with production and market needs, to choose raw materials and products. The factory manager (director) should have the power to establish a leading group and establish enterprise management organs, as well as the power, within the limits set by the corporation, to use retained profits for workers' bonuses, for technical transformation of the enterprise and so on. In accordance with the requirement that the large enterprises be gradually enlivened internally, the power of grassroots-level enterprises can be further expanded. The provincial companies and branch companies which lie between the corporation and the grassroots-level enterprises should mainly be responsible for the coordination and balancing of the various links of tobacco planting, allocation, cigarette production and sales. Following the improvement of internal management within the corporation, these middle levels will gradually change into agencies of the corporation. The present system whereby companies are established on the basis of administrative regions will change into one whereby they are established on the basis of economic regions. In brief, in the division of power by the corporation between various levels, there should be a "two-headed entity, empty in the middle." That is, the production and operational powers of the corporation and grassroots-level enterprises should be increased a little, while the main functions of the provincial corporations and other middle management organs should be to engage in organizing management and service for the completion of the corporation's plans. In this way, we will be able to achieve the goal of "few links, effective management and vigor."

Finally, the corporation must ensure that it does "not manage things too tightly and does not allow enlivening to give rise to disorder," and must combine direct and indirect control. When the Tobacco Industry Trust was established in the 1960's, in management there was sole reliance on mandatory planning, and tobacco and supplementary material were supplied in accordance with the make-up of the product. Now, because of the large number of cigarette brands, the complexity of their components and the insufficiency of high- and medium-grade cigarettes, many supplementary materials have already been subject to market regulation. It is not possible for us to again solely adopt mandatory planning and have the corporation allocate to the 100-plus factories the tobacco and supplementary materials they need. Also, solely using mandatory planning excludes the role of market mechanism and this is not beneficial to having enterprises change their products in a timely way in accordance with market demands. Thus, in planning and management, the corporation should combine direct control with indirect control. That is, the corporation should control some of the name-brand superior products, and issue mandatory targets in respect of quantities and types for these products. At the same time, it will supply necessary materials so that there are no shortfalls in these targets. As for other products, the corporation should, in accordance with state production plans, separately issue production-limit targets to all production enterprises. These will only set upper production limits and the enterprises will not be able to arbitrarily exceed these. Product varieties should be set by the production enterprises in accordance with market demands and the supply situation for raw materials, and in accordance with the contracts signed with sales enterprises and purchasing units. Contracted sales should be used to determine production and prospective production to determine purchases. In this way, a situation of competition will exist between enterprises within the corporation, and this will bring about the continued improvement of operations management.

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HEBEI PEOPLE'S CONGRESS MEETING ENDS 21 DECEMBER

SK100624 Shijiazhuang HEBEI RIBAO in Chinese 22 Dec 85 p 1

[Excerpts] After a 5-day session, the 17th Standing Committee meeting of the 6th provincial People's Congress concluded on the afternoon of 21 December.

Sun Guozhi, chairman of the provincial People's Congress Standing Committee, attended the closing ceremony of the meeting, and Wu Qingcheng, vice chairman of the provincial People's Congress Standing Committee, presided over the ceremony.

During the meeting, members conducted earnest discussions and examinations on various agenda items.

The meeting urged the judicial personnel at all levels throughout province to clearly discern the complex and protracted nature of the struggle from the serious economic crimes; to earnestly implement the important directives given by Comrade Deng Xiaoping with regard to enforcing the open policy to enliven the domestic economy on the one hand, and dealing blow to serious economic crimes on the other hand; to make sustained efforts to resolutely launch an attack on economic criminal activities by applying the successful experiences gained in this regard; and to make greater contributions to safeguarding the smooth progress in conducting reforms in economic, educational, and scientific and technological systems and in accelerating the pace of building the two civilizations.

At the meeting, through full discussions, members unanimously approved the "Hebei provincial provisional regulations" on developing vocational and technical education, and the "Hebei provincial administrative regulations" on water resources.

The meeting elected Dong Naifang alternate deputy to the Sixth NPC and also approved some personnel changes.

Also attending the closing ceremony of the meeting were vice chairmen of the provincial People's Congress Standing Committee, including Guo Zhi, Zhang Zhenchuan, Pan Chengxiao, Liu Ying, Zhang Kerang, Wang Yu, Han Qimin, Wang Youhui, and Du Benjie.

Attending the ceremony as observer were Hong Yi, vice governor of the province; Zhang Pingdong, president of the provincial higher people's court; Liu Zhiqi, chief procurator of the provincial People's Procuratorate; and responsible persons from the departments concerned.

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RUI XINGWEN ON SHANGHAI'S 'EXCELLENT' SITUATION

OW221441 Shanghai City Service in Mandarin 2300 GMT 21 Dec 85

[Text] Briefing party cadres from municipal bureaus and organs on the current situation on the morning of 21 December, Rui Xingwen, secretary of the Shanghai Municipal CPC Committee, urged the cadres to step up their study of the Marxist theory, improve their professional skills, offer good advice on leadership policies, render excellent service to grassroots units, and set good examples in all areas for the masses.

Speaking about the current excellent situation in Shanghai, Comrade Rui Xingwen said: The gross municipal product is expected to reach 45.8 billion yuan this year, an increase of some 12 percent from 1984, and financial revenues are expected to exceed the planned target. Efforts to fulfill plans in commerce, communications, transportation, posts and telecommunications, and withdrawing currency from circulation have also yielded good results. Per-capita consumption in Shanghai is expected to amount to 918 yuan this year, an increase of 374 yuan from 1980. Allowing for the increase in commodity prices, there was an average increase of 6.7 percent every year during the sixth 5-year plan period.

Comrade Rui Xingwen noted: With immense support from the central authorities for Shanghai's economic construction in 1986, we should do our best to make more contributions to the state. He emphatically said: Cadres should play exemplary roles in correcting party style, in upholding the party spirit and principles, and in serving the people. They should also improve their work styles thoroughly, overcome bureaucracy, do more and speak less, stop shifting responsibilities to one another and arguing over trifles, and solve problems vigorously and responsibly.

Jiang Zemin, deputy secretary of the municipal party committee, also addressed the meeting.

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PROVINCIAL AFFAIRS

SICHUAN FORUM REVIEWS REFORM OF ECONOMIC STRUCTURE

HK150143 Beijing GUANGMING RIBAO in Chinese 2 Jan 86 p 1

[Report by special reporter Wang Maoxiu [3769 5399 0208]: "Forum on Situation of Reform of the Economic Structure Held in Sichuan"]

[Text] On 20 December 1985, some economists, philosophers, and practical workers in Sichuan's philosophy and social science circles held a forum on the situation of China's current reform of the economic structure. In the light of Sichuan's realities, they unanimously held that a very important task for us at present is to continue the reform, further consolidate, supplement, and enhance the previous achievements, and preserve advantages and overcome defects while emphasizing solving some major problems arising in the course of reform.

The forum was co-sponsored by the theoretical office of this paper and the Sichuan Provincial Philosophy and Social Science Association, and was participated in by Liu Shibai (professor and president of Sichuan Institute of France), Feng Ju (acting secretary of the party group of Sichuan Provincial Academy of Social Sciences), Kang Dian (vice president of the Sichuan Provincial CPC Committee's Party School and chairman of the board of directors of the Provinicial Philosophy Association), Gu Zongcheng (vice president and deputy research fellow of the Sichuan Provincial Academy of Social Sciences), Shi Zhucheng (associate professor and vice dean of the economic department of Sichuan University), Guo Jie (director of the Chengdu Social Science Research Institute), Zheng Qing (deputy research fellow and vice chairman of the Sichuan Provincial Philosophy and Social Science Association), Zhang Yujun (deputy director of the Policy Research Office of the Sichuan Provincial CPC Committee), and Wang Dishi (deputy director of the Sichuan Provincial Office in Charge of Structural Reform).

The Orientation of Reform is Correct, the Achievements Are Great

Zheng Qing said: The reform started in Sichuan a bit earlier than other provinces. In 1978, beginning with the system of contracted responsibilities with payment linked to output, the system of contracted responsibilities on the household basis, with payment linked to output was then carried out, bringing about an overall reform in the countryside. After that, a reform aimed at improving the relations between the state and enterprises was carried out, with emphasis on expanding the decisionmaking power of the latter. This was followed by an experiment carried out in some selected points in Chongqing on overall reform of the economic structure. After the 3d Plenary Session of the 12th CPC Central Committee, the reform of the economic structure in the cities entered a new stage and there appeared an unprecedentedly lively situation. Continuous, steady, and harmonious development was achieved in the entire national economy. From 1980 to 1984, the total industrial and agricultural output value increased by an average of 9 percent each year, and the per capita income of urban workers' families increased by 51 percent, while that of rural population increased by 52 percent. The living standards of most residents in both town and country were improved. The situation in 1985 was also better than expected.

Wang Dishi said: Sichuan's reform in 1985 had the following characteristics: 1) The vitality of enterprises has been strengthened and their economic returns have increased. This shows that although macroeconomic control has been strengthened, production has not shrunk. 2) The situation of price reform is comparatively good. This year's price increase will be controlled under the limits set by the central authorities. 3) Although the total amount of wages distributed has increased, there has been no swelling of the consumption funds and the total amount of money put into circulation in this province has even dropped by a big margin.

Shi Zhucheng said: Marked achievements have been scored in the reform. The continuous and steady growth of production is unprecedented since the founding of the state, and so is the increase of the consumption level of the people. The development is in general harmonious. The good situation is recognized by all.

We Must Not Fail To See the Role Played by Reform in Building Spiritual Civilization

Kang Dian said: Under socialist conditions, we must realize that the positive role played by the planned commodity economy on the superstructure and the ideological and political spheres is the major aspect of things: 1) it is conducive to breaking with narrow localism, the idea of closing the country to international intercourse, and the feudal patriarchal ideology; 2) it is conducive to fostering the scientific and progressive spirit of the Chinese nation; 3) it is conducive to cultivating the democratic spirit of the Chinese nation and promoting socialist democracy; 4) it is conducive to strengthening the idea of economic returns and fostering the spirit of taking good care of public property; and 5) it can help create conditions for raising the cultural level of the entire nation. He held that commodity production and the existence of money also play some negative roles. But if we only pay attention to their negative role to the neglect of their positive role, there will certainly be great obstacles to the development of the planned commodity economy. Some people will even think that the commodity economy is an example of "being influenced by the old society." This concept will lead to serious consequences.

Feng Ju said: The development of the planned commodity economy may bring about changes in the people's thinking, but we should not impute the problems that have arisen to reform and socialist commodity production. Such phenomena as selling fake medicine and committing murder in order to get money are not natural results of the socialist commodity economy. The socialist planned commodity economy is quite different from other commodity economies. It demands correct handling of the relations between the state, the collective, and the individual. Of course, blindness may also appear in the course of socialist commodity production, and the idea of exchanging at equal value may also intrude into the political and ideological fields. Therefore, while stimulating the economy, we must strengthen ideological and political work.

Difficulties Cannot Be Avoided in the Reform, We Are Optimistic Reformists

Liu Shibai said: The reform of the economic structure is an exploration of universal significance. In our reform, we have continued to combine the basic principles of Marxism with China's realities, and upheld the truth that has been examined by practice, free from the trammels of traditional ideas and foreign patterns. One can imagine how difficult it is to carry out a profound and wide-ranging reform in China, which is a country with a large population and vast territory but a weak economic and technological basis and which has no quick access to economic information! Defects cannot be avoided; there can never be plain sailing. But just as Comrade Xiaoping said, we are optimistic reformists.

Guo Jie said: We must be realistic in analyzing the situation and must not think that the reform has been "overdone." At present, various problems have emerged in the reform. To put it concretely, the main problems are: 1) Macromanagement and guidance have lagged behind the enlivening of the microeconomy; 2) the overall reform has lagged behind the reform in some specific fields; and 3) the measures and policies for indirect control are still not perfect since emphasis has been laid on direct control. However, these problems can only be solved by further carrying out the reform.

Zhang Yujun said: We cannot avoid new contradictions and problems in the reform. There can be no permanent solution for any reform. When problems emerge in the reform, we cannot say that they are natural results of the reform. We must make this clear. At present, we must continue to explore courageously and further perfect the reform.

It Is Necessary To Further Strengthen Theoretical Study and Propaganda on Reform of the Economic Structure

Liu Shibai pointed out: A pressing task for us at present is to further strengthen theoretical study and propaganda on reform of the economic structure. It is necessary to study, expound, and publicize the reform so as to support it by creating scientific theories. To put it more concretely, this means that it is necessary to conscientiously study and expound on the theory of the planned commodity economy, the historical background, the actual needs, and the general contents of this theory, and its great significance and important role in changing the track of economic development. At present, there are still some confused ideas about this, such as whether the development of the commodity economy will naturally lead to capitalism, and whether the use of market mechanism and the relaxation in price control will naturally lead to inflation. Problems of this kind should be studied and clarified.

Gu Zhongcheng said: The reform is a great and systematic social project and a revolution as well. It cannot be carried out without theoretical guidance. The reform was started in Sichuan a bit earlier than other provinces and has been carried out comparatively smoothly in the past years. One of its characteristics is that the theoretical workers and practical workers have closely cooperated with each other and worked out some measures for the reform under correct theoretical guidance. The formulation of the concept of the "planned commodity economy" means a breakthrough, but problems concerning the mechanism of the planned commodity economy have yet to be solved in the future. The role of the market economy has not been brought into full play. Although market relations have been taken into consideration in deciding prices, the problem of how to use these relations has not been solved well. All this has to be conscientiously studied by both the theoretical and practical workers.

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PROVINCIAL AFFAIRS

ANHUI ADOPTS NEW MEASURES TO DEVELOP COUNTY LEVEL ECONOMIES

Hefei ANHUI RIBAO in Chinese 18 Jul 85 p 1

[Report by the Comprehensive Office of the Anhui Provincial Planning Committee]

[Text] Recently, acting upon instructions by leading comrades of the provincial party committee and the provincial people's government, the provincial planning committee and the provincial financial office convened in the Anqing Prefecture the Second Provincial Conference on Developing County Level Economies. The 11 participating key supporting counties summed up their experiences in the preceding year in developing county level economies, and advanced concrete demands for this year's work.

In March of last year, at the First Provincial Conference on Developing County Level Economies, 10 key supporting counties, including Woyang and Shu counties, were selected. Through their effort, preliminary results have now been scored. Statistics show that, last year, they supported 84 projects. By the end of 1984, 43 projects were accomplished, constituting 51 percent of all projects. The 41 projects transferred to this year will be completed and will enter into production in the second and third quarters of this year. In view of the completed projects, by the end of last year, a newly increased value of 7,435,000 yuan and newly increased taxes of 1.52 million yuan have been realized. After the projects under construction all enter into production, a newly increased output value of 87.01 million yuan and newly increased taxes of over 18.27 million yuan can be expected. Calculating from this result, all investments can be recovered in about 2 years.

This year, the 11 key supporting counties of Jieshou, Funan, Lingbi, Lai'an, Huoshan, Feixi, Hanshan, Shusong, Wangjiang, Tongling and Jiqi have been named. The total amount of annual financial subsidy for these 11 counties is 29.47 million yuan.

On the basis of summing up last year's work, the participants at the conference stipulated new measures in accordance with the instruction of the provincial people's government on the work of developing county level economies this year.

First, implement the system of contracted responsibility in investment. This not only will render financial and material support as well as support in policy to the key supporting counties, but will also put such pressure as reducing financial subsidies on these counties, thereby linking input with output and support with subsidy reduction. The provincial financial office offered 20 million yuan as a support fund. Half of this is financial appropriation and half is used with repayment without interest, with the term of repayment 5 to 6 years. The portion which exceeds the contracting base figure in the county finances for 1985 to 1989, 10 percent of which should be paid to the provincial financial office, will be exempt and be retained for use by the counties.

Second, investment in the support fund is primarily for enterprises which involve little investment, short production cycles, good results, highly motivated leading body and a strong sense of responsibility. To shatter the boundary of the forms of ownership, we should, under equal terms, give priority to supporting the urban and township collective enterprises and the rural enterprises. We must also support those state-owned enterprises which are characterized by small investment and good results. All the construction projects must emphasize technological transformation, reconstruction and expansion. The construction cycle must not be more than 1 year, while the period of recovery of investment must not exceed 2 years.

At the conference the participants also stipulated several policy measures in developing county level economies, including adopting effective measures to manage well and in a lively manner the support funds, relaxing the jurisdiction over the approval upon examination of the construction projects, strengthening organizational leadership and formulating development plans.

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CSO: 4006/877

ANHUI DEVELOPS COMMERCIALLY-RUN INDUSTRIES

Hefei ANHUI RIBAO in Chinese 23 Jul 85 p 1

[Report by Shao Guangde [6730 1639 1795] and Li Jian [2621 0256]]

[Text] Our provincial supply and marketing cooperatives have done well in developing commercially-run industries. Currently there are nearly 2,000 factories and workshops of all categories throughout the province, with over 30,000 staff members and workers. There are over 1,000 rural fair towns in the province. Basically, every town has its own processing factory. Last year, the gross value of industrial output was 590 million yuan. In the first 5 months of this year, the output value has already reached some 300 million yuan. The profits provided through the commercially-run industries of those prefectural and municipal supply and marketing cooperatives now constitute one-third of total profits of the supply and marketing cooperatives.

Through system-wide reform, our provincial supply and marketing system has rectified its guiding ideology. In shifting from a purely business model to a production-business-service model, the various localities, in the course of running their industries, have widely advertised for skilled personnel, imported technology, and adopted the method of joint operation. The Huaining County Supply and Marketing Cooperative and the rural enterprises have, through collective investment and joint operation, built a cement factory which is capable of producing 35,000 tons a year. The Chengguan Supply and Marketing Cooperative of Yongshang County and the peasants there have built through collective investment a flour mill, which has already yielded an output value of some 500,000 yuan between January and April this year.

The supply and marketing cooperatives everywhere have fully utilized local natural conditions and resources to build factories on the spot. Quanjiao County utilized the factory buildings and facilities of the former cotton processing factory and the superiority of fine-quality cotton to set up a carding mill with an annual output of 300,000 wads of cotton. They supplied the market with fine-quality cotton quilts which are quite popular among the masses. Shu County has an abundance of cotton with rich cottonseed resources. The supply and marketing cooperative combined cotton ginning with oil pressing, thereby improving economic results as well as resolving difficulties peasants encountered in oil pressing.

In the course of running factories, the supply and marketing cooperatives in various places have paid great attention to developing traditional, famous and special products. Such items as the Tianchang manna cake, the Shunan sesame crunch of Tongling, the Wanhe square cake of Huaining, the Zhangdu pickles from Jingxian, and the Wuyi brick tea from Tuxian have doubled and redoubled their output in recent years. Utilizing their yangtao resources, Jinzhai, Jiqi and Xixian have processed and produced yangtao products, of which the preserved yangtao has been approved by the commercial sector and concerned scientific research department. Batch process has been instituted. On the basis of producing buttered seeds, the Wuhu city supply and marketing department has trial-manufactured more than a dozen seeds of different spices and flavors and increased output from several hundred thousand jin annually to over 10 million jin. They are sold to over 20 provinces and municipalities throughout China, which has promoted the development of seed production in Anhui's system of supply and marketing cooperatives.

Since last year, 19 varieties of the three categories of tea, seeds and wine with low alcohol content among the products of the supply and marketing system throughout the province won the Anhui provincial certificate for products of outstanding quality, while 9 varieties won the award for products of outstanding quality from the Ministry of Commerce. Qimen Kungfu black tea and Tunqi green tea won the state's gold and silver awards, respectively.

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ECONOMIC DEVELOPMENT ZONES

GUANGZHOU DEVELOPMENT ZONE OFFICIAL ON PLANS FOR 1986

HK020441 Hong Kong TA KUNG PAO in English 1-8 Jan 86 p 5

[Text] The Guangzhou Economic and Technological Development Zone plans to attract five times as much foreign investment in 1986 as in 1985, according to Miao Enlu, director of the zone's administrative committee.

Foreign investment is expected to amount to U.S. $26 million in 1986, he said, and 11 Sino-foreign joint ventures and co-operative businesses will open in the zone in 1986.

Miao noted that the zone had clinched 36 deals involving industrial production and service trades with overseas firms since it was set up a year ago. Total investment in them would amount to U.S. $49 million.

The local authorities have decided to spend 160 million yuan (about U.S. $50 million) on infrastructure in 1986 to improve conditions for foreign investors.

The zone will import microwave program-controlled telephone switchboards with a total capacity of 10,000 lines in 1986. Direct dialing services are already available between the zone and major Chinese cities, the United States, Hong Kong, and Macao.

An 11-kilometre power transmission line would begin to supply electricity in 1986 and a 36,000-kilowatt power plant is being built.

Work began a year ago on the 9.6-square-kilometre zone, which was designed to attract foreign funds to develop new industries and technology. It is 35 kilometres from the Guangdong provincial capital of Guangzhou, and 88 nautical miles from Hong Kong.

The first stage of development involving two sub-zones that cover 2.6-square-kilometres will be completed within 5 years.

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ECONOMIC DEVELOPMENT ZONES

PEARL RIVER DELTA ECONOMY FLOURISHING

OW130312 Beijing XINHUA in English 0237 GMT 13 Jan 86

[Text] Guangzhou, January 13 (XINHUA)--The volume of retail sales in the Pearl River Delta soared to seven billion yuan in 1984, 4.6 times what it was in 1978, according to local officials.

The 21,500 sq km delta in central Guangdong Province is one of the three coastal areas opened to foreign investment and trade in early 1985. The other two are the Yangtze River Delta and the Minnan triangle in southern Fujian Province.

Meanwhile, the value of retail sales at rural markets in the Pearl River Delta tripled during the 1978-84 period.

In 1984, half of the local rural workforce were engaged in farming, compared with 70 percent in 1978. Previously, most peasants left the fields to work in township-run factories, while more and more are now shifting to the service sector.

Under the current policy, peasants are no longer tied to grain production as was the case in the past, the officials said. They are being encouraged by the government to grow more fruit trees, sugarcane, and vegetables to meet the increasing needs of major cities and mushrooming towns in the area.

In addition, the introduction of foreign funds and technology has helped streamline production of textiles, electronics, household electrical appliances, plastics, and foodstuffs.

As a result, these industries have become pillars of the area's urban industries.

The electronics industry in Jiangmen, for example, made up 13.2 percent of the city's total industrial output value in 1984, up from 5 percent in 1979.

Imports have enabled 14 percent of all equipment in Foshan, a major city in the area, to meet advanced international standards, and 50 percent to measure up to advanced domestic standards.

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ECONOMIC PLANNING

HEBEI VICE GOVERNOR ON 1986 TASKS

SK160410 Shijiazhuang HEBEI RIBAO in Chinese 18 Dec 85 pp 1, 2

[Report on speech delivered by Hebei Vice Governor Ye Liansong at a provincial planning work conference in Shijiazhuang on 15 December: "Persistently Maintain a Sustained, Stable, and Coordinated Development of the National Economy on the Premise of Improving Economic Results"]

[Text] Vice Governor Ye liansong said at the provincial planning work conference: The general guiding ideology and the major tasks for the 1986 plan for national economic and social development are to conscientiously implement the guidelines of the National Conference of Party Delegates, to persistently place reform in the first place and make reform and construction coordinate and promote each other; to persistently maintain a sustained, stable, and coordinated development of the national economy on the premise of improving economic results; to uphold macro control and micro-flexibility and coordinate the scope and steps of relaxing and enlivening the microeconomy with the ability for macro-control; to persistently take the overall situation into account; to stress unity and actual results; to vie for more contributions; to strive to achieve a fundamental turn for the better in party style and social conduct; and make a more solid step in all fields of work of the province. Next year, all economic work should be carried out by focusing on improving economic results. The major point is to grasp reform, scientific, and technological advancement, technical transformation, readjustment of production setup, development of mountainous, plateau, and coastal areas, increases of production and income, and foreign trade and export.

Speaking on strictly controlling the scope of the investment in fixed assets, Ye liansong said: In strengthening macro-control, the key is to control the scope of the investment in fixed assets, in particular in capital construction. Only in this way can we guarantee a sustained, stable, and coordinated national economic development. In the arrangements for the investment in local capital construction, the major areas are energy, communication, raw material, and development of intellectual sources. Investment should be first used in construction which needs to be continued and a few key projects, and in the development of "mountainous, coastal, and plateau" areas. In principle, no new projects should be started. In addition, a group of key projects of the state will be built in our province next year. With regard to the key projects designated by the state and the province, various provincial departments, prefectures, and cities should give priority to them in such areas as fund, designing, raw materials, power, transportation, and construction forces. Beginning next year we should resolutely shift the focus of construction to the technical transformation, reconstruction, and expansion of the existing enterprises, and expand production chiefly by intensive means. Investment in the technical transformation of our province should be mainly used in light and textile industries, energy, communications, and the raw material industry. Investment should be arranged in such a way as to guarantee: First, the necessary projects undertaken this year and to be continued next year; second, the projects, to the extent possible for which contracts on technology import have already been signed; and third, a small number of new projects which should be started urgently, need shorter construction periods, and can yield better and quicker results. In carrying out the technical transformation projects next year, all prefectures, cities, and departments should act according to their capacity, proceed from the interest of the overall situation, strengthen macro-control, and concentrate financial and material sources on major projects. Large- and medium-sized enterprises are the lifeline of the national economy. Therefore, we should gradually shift the focus to technical transformation to large- and medium-sized enterprises and the enterprises which earn foreign exchange through export. This year the State Economic Commission and the Ministry of Finance decided on a list of the first group of large- and medium-sized enterprises of the country whose technical transformation will be supported on a priority basis. Preferential treatment in terms of policies will be given to these enterprises by the state. Enterprises listed in the list should make good use of the preferential conditions granted by the state and fully develop their advantages to carry out technical transformation in a down-to-earth manner. They should conscientiously work out "7th 5-Year" technical transformation plans with the guidance of the plans for their own trades.

We should support the technical transformation of those enterprises that export products to earn foreign exchange and should place the emphasis on supporting enterprises that produce traditional products and machinery and electric products for export. The various prefectures, cities, and departments should strengthen leadership, formulate specific plans, and strive to make new progress next year in the technical transformation projects of a group of enterprises that earn foreign exchange through exports.

Comrade Ye Liansong said: Next year, we should continue to speed up the development of the rural commodity economy. The rural economic development should be based on local resources. We should focus our attention on making the people prosperous in general and, in line with the principle of "stabilizing the major aspects and readjusting the minor ones," and on the premise of guaranteeing a stable increase in the total grain output, and should vigorously develop the diversified economy focusing on the development of "mountainous, coastal, and plateau areas." In order to comprehensively develop the rural economy, we should firmly grasp four fields of work: 1. We should continue to readjust the rural product structure. It is necessary to stabilize the acreage of grain fields, strive to increase the per unit area yield, increase the total output, do a good job in combating drought and preventing plant disease, and strive to reap a bumper summer harvest. Meanwhile, we should develop industry to make up for the losses in agriculture, implement the penalty and award systems in the contract lands according to the land fertility, strictly control the appropriation of arable land for nonagricultural use, encourage peasants to invest in their production, and ensure a stable increase in the total grain output. The production of cotton should be appropriately concentrated on the Heilonggang areas. We should grasp well vegetable production in the urban and suburban areas. While readjusting the structure of the cropping industry, we should also vigorously develop animal husbandry. 2. We should speed up the development in the mountains, coastal, and plateau areas. In the mountainous areas, it is necessary to break the shackle of "taking grain as the key link," take advantage of their own favorable conditions, comprehensively develop forestry, fruits, livestock breeding, mining, grain production, trading, industry, agriculture, and transport undertakings, improve the value of products through processing, and gradually establish a complete operational system which integrates scientific research, production, processing, storage, transport, and sales. In the plateau areas, we should implement the policy of "integrating forestry, grass cultivation, animal husbandry, and agriculture, taking animal husbandry as the major field while developing industry and trade"; strengthen the building of grasslands; speed up the transformation of grassland; actively improve the fertility of grassland by grazing animals from one place to another; utilize the favorable conditions of animal husbandry, sesame, and potatoes; attend to processing farm and animal by-products; develop commodity production; and further raise the overall economic results. The work focus of the coastal areas should be placed on developing aquatic products, sea salt, and the coastal strips, fully utilizing the natural resources of the ocean and beaches, actively developing deep-sea fishing and artificial breeding, correspondingly developing the supporting facilities for breeding small fish, fish bait, fish processing, storing, and transport as well as highway construction, and gradually changing the natural favorable conditions into economic favorable conditions. 3. We should strengthen macroeconomic guidance and actively develop the township enterprises in a planned manner. In line with the policy of "actively supporting, rationally planning, and correctly guiding township enterprises and strengthening management over them," next year, we should develop township enterprises according to local natural resources, utilize our own favorable conditions, do a good job in the reprocessing and precision processing of farm and sideline products, and render services to the storage, packing, transport, supply, and sales of farm and sideline products so as to give a whole range of services throughout the production process. Areas with mineral resources should actively develop mining, building materials, and various service industries. The economically developed areas near the urban areas should develop a processing industry that supports large-scale industry and serves exports. Areas which have developed township enterprises ahead of others and have a comparatively good foundation should grasp enterprise consolidation, update equipment and technology, speed up the readjustment of production and product structures, strive to develop new products, raise product quality, and enhance the competitiveness of products. Areas which have developed township enterprises late and have a comparatively poor foundation, particularly the old revolutionary bases, the minority, outlying, and poverty-stricken areas, should be supported continuously. 4. Construction of commodity production bases should be accelerated. Next year, the province will emphasize the construction of the eastern Hebei corn production base and the Heilonggang cotton production base. In the eastern Hebei corn production base, three things should be stressed. First, we should formulate an overall plan successfully. Second, we should do a good job in mutual coordination and service work in line with the 10 aspects of a coordinated process, and clearly define specific tasks and the steps and measures to be implemented. Third, we should conduct successful economic appraisals, and cultivate and popularize fine strains in line with the demands in export. In the cotton production base, we should emphasize the cultivation of fine seeds, wide application of technology, and construction of the facilities for the base. Next year, we should first build the Nangong, Gucheng, and Jixian fine quality cotton bases. All localities should also build small bases to produce meat, eggs, poultry, milk, vegetables, melons, and fruits, and flowers in line with market demands and their favorable conditions.

Speaking on next year's industrial production, Comrade Ye Liansong pointed out that it is necessary to give prominence to economic results. He said: General ideas for next year are to carry out reform persistently, to readjust production structure, to give prominence to economic results, to control the production of the products in excessive supply, to expedite the production of light and textile industries, energy, raw material industry, and export goods, and to maintain a proper growth rate. 1. We should further invigorate enterprises, in particular large- and medium-sized enterprises. First, we should further simplify administration and delegate power to lower levels, and resolutely implement the various regulations on invigorating large- and medium-sized enterprises mapped out by the CPC Central Committee, the State Council, and the provincial CPC Committee and government. We should be firmly determined to solve the problems of "creating obstacles in the middle," sort out and consolidate administrative and semi-administrative companies, and disband all companies that have nothing but briefcases. The problem of enterprises having too much of a burden should also be solved conscientiously in line with the regulations of the provincial CPC Committee and government. Second, all enterprises should fix their eyes inward to make their whole range of reforms successful. They should, first of all, earnestly popularize Shijiazhuang City's experience in carrying out a whole range of reforms in a "colliding and rebouncing style" aiming at invigorating enterprises, and comprehensively enforce various forms of the economic responsibility system with contracts as the major form, in particular the system of having plant directors fulfill the designated targets within their terms of office. They should, in the second place, reform their managerial systems and properly make their basic accounting units smaller in order to make operation more flexible and to arouse the initiative of their branch plants and workshops. They should, in the third place, strengthen democratic management of enterprises, continuously improve the political and professional competence of plant directors and managers, and give full play to the role of enterprise party committees in supervising and ensuring the work of enterprises. Third, we should continue to expand the authority of enterprises to make plans.

Fourth, we should further handle well the relationship between the interest of the state and those of enterprises. We should differentiate between different situations, and gradually reduce or exempt the regulatory business taxes levied on the large- and medium-sized enterprises which have achieved better economic results, earned more foreign exchange, made greater contributions, and paid more regulatory business taxes, and which should be technically transformed urgently. 2. We should improve the operation and management of enterprises and upgrade their managerial level. In the new year, rotational training of managerial personnel at various levels and of directors and managers of industrial and communications enterprises should be continued successfully in order to improve their competence in making macroeconomic policy decisions and exercising microeconomic management. The trend of a decline in product quality that appeared in the fourth quarter of last year has been initially brought under control. However, the long-standing obstinate malady of poor product quality and few varieties and specifications, which exists universally, is far from being eliminated. To this end, first, we should attend to developing new products. In line with the principle of giving different responsibilities to different levels, the province should concentrate efforts on grasping the development of some key projects. Next year, all large- and medium-sized enterprises should develop one or two new products in line with their actual situations. We should adopt policies of supporting the development of new products and gradually change the pattern of developing mainly one product into one of developing a series of products. Second, we should straighten out our ideology on operation, and persist in "quality first." While implementing the economic responsibility system, we should give primary consideration to quality, implement the system of the "five prohibitions," and resolutely organize production according to quality standards. Third, we should reduce production cost and material consumption. Meanwhile, we should strictly observe the labor organizational discipline, and establish and improve all necessary regulations and systems. Fourth, we should grasp the fundamental work of industrial enterprises--examining and checking weights and measures, making original records, keeping accounts, fixing economic and technical quotas, standardizing technology, and strengthening technical and financial management of enterprises. Fifth, we should end deficits and increase profits. We should adopt resolute measures to solve the long-term deficit problems of enterprises according to different cases. 3. We should readjust the production structure, intensify the processing of products, and speed up product updating and upgrading. Next year, we should exert great efforts to change the province's situation in which the industrial structure is irrational, the product varieties remain the same for years, and the products are not competitive. As far as the various industries are concerned, the light, pharmaceutical, machinery, and electronics industries should focus their work on updating and upgrading products and readjusting their product structures. The textile, metallurgical, chemical, and building materials industries should lay emphasis in the intensive progressing of products. As for light and textile industries which require a small investment but yield good profits, we should continue to implement the principle of giving "priority to six fields," pay attention to grasping and speeding up the development of the textile, clothing, pharmaceutical, food, paper-making, hardware, and household electric appliances industries. In machinery industry, next year under the plan, we should update a number of products, and develop some new products, particularly mining machinery and electric equipment. In the electronics industry, while attending to the production of consumer goods, we should gradually increase the proportion of electronic products which will help in the production of other fields. Next year, we should begin developing and producing subsurface communication electronic products for mining use. In the pharmaceutical industry, we should grasp the production of the three major intermediates of the semi-synthetic antibiotic. Meanwhile, we should strive to find a new way to integrate the production of pharmaceuticals, foodstuffs, and animal feed. In the metallurgical industry, we should pay attention to grasping the construction of the steel-smelting workshop of the Chengde Steel Mill and the transformation projects in the steel-smelting workshops of the Shijiazhuang and Handan Steel Mills. While increasing the output of steel products and rolled steel, we should fully use the favorable conditions that the Handan Steel Mill employs in making pig iron containing a small sulphur and phosphorus content to increase the production of low-alloy steel products, display the superiority of the imported high-speed wire rod rolling machines of Tangshan and Handan Steel Mills, upgrade the quality of medium plates, develop metal products, welded steel pipes, and seamless steel pipes, and increase proportion of steel boards, steel pipes, and steel strips. In the building materials industry, next year, our work should be focused on processing toughened glass, colored glass, hollow glass, laminated glass, electrothermal glass, super-thin glass, and super-thick glass. In the chemical industry, we should pay attention to developing the highly effective compound fertilizer and the intermediates of dyestuff, synthetic materials, paint, animal feed additives, and other fine chemical products. In the textile industry, on the basis of developing chemical fiber, woolen, and silk fabrics and clothing, decorative cloth, and textile products for industrial use, we should gradually end the situation of always having the same varieties of raw materials, speed up the transformation of spinning frames and machines for making broad-width cloth, import shuttleless looms, open end-spinning machines, and the printing and dyeing equipment for making cylinder and plate-fleece cloth [yuan ping wang yin ran she bei 0954 1627 4986 0603 2676 6080 0271], expand the capacity of printing and dyeing a small number of products of various varieties, and develop the multifunction after treatment of calendar finish, electrostatic treatment, embossing, coating, crease-resist finishing, and shrink-resist finishing.

Comrade Ye Liansong said: Next year, we should continue to enliven circulation and expand domestic and foreign trade. 1. We should open our urban and rural doors wide and strive to open up a big market for a commodity economy. We should gear ourselves to the needs of rural areas and the "three norths," serve Beijing and Tianjin, and expand purchasing and marketing. We should also actively organize goods sources within the province, encourage competition, make markets flourish, and ensure supplies. 2. We should give play to the role of state commercial units and cooperatives as major channels. In order to stabilize market prices, state commercial units and cooperatives should do most of the wholesale work, and their retail sales should account for more than a half of the total. Rational commodity storage systems should be established or improved, and the units which produce seasonal commodities all year round may set different prices in different seasons or for wholesale and retail sales, and may enjoy bank loans on preferential terms. 3. We should accelerate the development of the tertiary industry, and do a good job in withdrawing currency from circulation but not by means of selling commodities. Efforts of the state, the collective, and the individual, of urban and rural areas, and of industrial and agricultural departments should be pooled to greatly develop catering, service, and repair trades. In the meantime, we should pay attention to giving play to the role of banks as a lever in promoting production and enlivening circulation, and invigorate the monetary work. We should actively organize commodity supply, expand foreign trade and export, and earn more foreign exchange.

The scientific and technological structure should be reformed, and technological advancement stimulated. We should comprehensively implement the decision on reforming the scientific and technological structure, strengthen macroeconomic management with the application, development, and research of technology as the major tasks, with promotion of technological advancement and improvement of economic results as the goal, and with the popularization of scientific and technological achievements as an area to make a breakthrough, and do a good job in microeconomic service in order to link scientific and technological research closely to economic construction. According to the 1986 scientific and technological research plan, the major areas are such trades as agriculture, light industry, textile industry, machinery, and electric industry, and chemical industry, and the four spheres of computer technology, biological engineering, new-type materials, and energy technology. A group of major projects to develop technologies, tackle technical difficulties, and popularize and apply scientific and technological achievements has been arranged. We plan to adopt the following measures next year: 1. Reform of the scientific and technological structure will be greatly promoted. We will open up wide technology markets, speed up the circulation of technologies as commodities, and bring in advanced applicable technologies from Beijing and Tianjin through various measures and channels. We will expand the rural technological development service network and offer multifaceted technical service for the readjustment of production setup and the development of the commodity economy. We will gradually change the direct control over projects alone into indirect control by means of formulating principles, policies, and plans for various trades and of strengthening organizational coordination. We will classify the tasks of research for management, and fully perform the functions of prefectures, cities, and relevant departments. We will encourage enterprises to establish technological research organs, continuously increase their ability to absorb technology and to develop by themselves, and will urge them to open their doors wide to actively cooperate with colleges and universities, and scientific research and designing units, to establish technological cooperation relations and scientific research production associations, to put more efforts in developing fist products, and to enhance their ability to compete and cope with problems. We will further grant scientific research units the autonomy they are entitled to receive, continue to enforce the system of signing technological contracts with user organizations that list remunerations and the contract system for internal research jobs, raise their awareness in serving the needs of economic construction, and gradually improve their level of economic independence. 2. We will make great efforts to organize the popularization and application of the available scientific and technological achievements, and spread and transfer them more speedily. Next year, scientific and technological administrative departments at all levels should regard the popularization and application of advanced applicable technological achievements as an important task of scientific and technical work, and conscientiously attend to it to make it fruitful. They should organize forces to collect and sort out the available achievements, realign them to make them a series, popularize them emphatically in mountainous, plateau, and coastal areas, and in small- and medium-sized enterprises and township enterprises, and make them serve the endeavor to eliminate poverty and achieve affluence, to promote the technical transformation of enterprises and to improve economic results. 3. We will conscientiously implement the "sparking plan," and exert great efforts to organize personnel to tackle scientific and technical difficulties. We should adhere to the principle of serving the needs of small- and medium-sized enterprises, township enterprises, and rural areas, select a group of advanced technologies which can yield faster results, and pool the forces of various quarters to make breakthroughs in them cooperatively and concentratively.

We should reform the educational system, and improve the quality of education. In developing education next year, we should comprehensively carry out the CPC Central Committee's decision on reforming the educational structure, popularize the 9 year compulsory education in a planned and step-by-step manner, strengthen elementary education, greatly develop teachers' training, restructure the secondary education successfully, and develop vocational and technical education. In higher education, the major points are to upgrade the quality of education, strengthen ideological and political work, and refrain from establishing new institutes. First, we should strengthen elementary education. We should, first of all, make primary school education universal, and pay close attention to the primary and middle school education of mountainous and plateau areas in order to lay a foundation for the popularization of the 9 year compulsory education. Second, we should strengthen the building of the teachers' contingents. We should replenish the existing normal schools with teachers and improve their conditions for running schools. Based on the principle that senior middle school teachers should be trained mainly by the province; junior middle school and key primary school teachers should be trained mainly by prefectures and cities; and primary school teachers and teachers for preschool education should be trained mainly by counties (cities) [shi], we should improve the structure of the normal education, run educational institutes and county-level normal schools well, and organize teachers to attend advanced study classes and renew their knowledge in a planned manner in order to improve their teaching competence. Third, we should speed up the development of vocational middle schools and uphold the principle of training people before they are employed. Fourth, we should strengthen management of adult education.

We should make good arrangements for the people's lives. Following the development of commodity production, the people's living standards in urban and rural areas will show further improvement next year. We should attend to the production of consumer goods and make good arrangements for market supply. Prefectures and counties should pay attention to making proper arrangements for the people's lives in poverty-stricken areas and disaster areas. We should strictly abide by the regulations of the CPC Central Committee and the State Council to control the irrational growth in consumption funds. Culture, art, and press and publication departments should provide the masses with more and better intellectual products to enrich their spiritual life. We should continue to control population growth, develop public health, and sports undertakings, and improve the people's health.

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ECONOMIC PLANNING

CPPCC ENLARGED STANDING COMMITTEE MEETING HELD

SK150326 Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 14 Jan 86

[Text] The 15th enlarged Standing Committee meeting of the 5th Provincial CPPCC Committee opened in Shenyang on 14 January. This meeting will devote 3 days to deeply studying the guidelines of the National Conference of Party Delegates, discussing matters concerning Liaoning Province's economic and social development during the 7th 5-Year Plan period, and offering suggestions and exerting efforts to formulate the province's 7th 5-Year Plan. In addition, the participants will study the speeches of the central leading comrades at a meeting of cadres of the central organs held on 6 January.

Xu Shaofu, chairman of the provincial CPPCC Committee, presided over and addressed the meeting. He said: On 28 December 1985, the provincial CPPCC Committee held a preparatory meeting for this enlarged Standing Committee meeting. Members of the provincial CPPCC Committee in Shenyang and some Standing Committee members staying in other localities were invited to the meeting to hear a report on the outlines of the tentative Liaoning Provincial 7th 5-Year Plan given by Comrade Zhu Jiazhen, member of the Standing Committee of the provincial CPC Committee and vice governor. The meeting also printed and distributed written materials concerning the speeches of Quan Shuren and Zhu Jiazhen to the Standing Committee members. Participants in this enlarged Standing Committee meeting will fully air their views; display the functions of the CPPCC Committee, which is a comprehensive bank of talented personnel; exercise the political consultative and democratic supervisory functions of the committee; and offer suggestions and exert efforts to make Liaoning prosperous.

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ECONOMIC PLANNING

BRIEFS

KEY DEVELOPMENT PROJECTS--The relevant departments of Chongqing City have decided on the key economic development projects for the 7th 5-Year Plan period. These include key technological transformation projects in the (Jiangbei) civil airport, the (Shimen) bridge on Jialing River, the Chongqing ceramics plant, the Chongqing steel and iron plant, the Chongqing speciality steel plant, and the Changshou chemical industrial plant. In addition, the city will stress products jointly produced by several units and on coordination production involving different trades and areas, and will grasp the production of 20 key products which are manufactured independently and can earn more foreign exchange, such as tinned food, cotton cloth, cotton yarn, linen fabrics, and silk products. [Text] [Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 10 Jan 86] /9599

CSO: 4006/588

AGGREGATE ECONOMIC DATA

SHAANXI PRESS BRIEFING ON ECONOMIC RESTRUCTURING IN 1985

HK160957 Xian Shaanxi Provincial Service in Mandarin 2330 GMT 13 Jan 86

[Excerpt] At a press briefing on the afternoon of 13 January, (Zhao Henglun), director of the provincial statistics bureau, delightedly told reporters that the province achieved good results in economic restructuring in 1985 and the current economic situation is gratifying.

He said that according to statistics, the province's grain output in 1985 was 2.05 billion jin, the second highest after that in 1984. The province's oil crops output in 1985 was 200.3 million jin, an all-time high. Despite serious natural disasters in some areas, the province's animal husbandry output value for 1985 was higher than that in 1984. The province's industrial production has developed continuously and the province's industrial output value in 1985 exceeded 1.9 billion yuan. Simultaneous growth has been achieved in output value, profit, tax, and financial income submitted to the state. In 1985 the province completed capital construction projects worth 1.15 billion yuan and spent 230 million yuan in modifying equipment and technological transformation. Both rural and urban markets were brisk and flourishing in the province in 1985. The retail sales volume of social commodities in the province in 1985 amounted to some 1.67 billion yuan, an increase of 20.83 percent over 1984. The average annual wage of staff or workers in the province in 1985 amounted to some 1,609 yuan, an increase of 8 percent over 1984. According to initial statistics from the provincial finance department, local revenue in the province in 1985 amounted to 233.4 million yuan, an increase of 42.7 percent over 1984 and the highest recorded in the past 5 years.

Director (Zhao Henglun) also gave a briefing on how the province carried out the 6th 5-Year Plan. He said that the main targets set in the 6th 5-Year Plan for 1985 were fulfilled or overfulfilled.

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CSO: 4006/588

AGGREGATE ECONOMIC DATA

LIVING STANDARDS UP IN INNER MONGOLIAN CITIES

OW181416 Beijing XINHUA in English 1050 GMT 18 Jan 86

[Text] Hohhot, January 18 (XINHUA)--Rapid industrial development has improved the urban living standard in the inner Mongolia autonomous region, according to the INNER MONGOLIA DAILY.

A survey of 900 randomly selected families in 11 cities of the region shows the annual per capita urban income averaged 670 yuan (220 U.S. dollars), up 310 yuan from 1980, the newspaper said.

Urban areas contain 3.3 million of the province's 19.2 million residents.

Overall, the paper said, the region's industrial output value last year totaled 9.4 billion yuan (2.9 billion dollars), an increase of 15 percent over 1984.

Because of the increase in incomes, the report said, many city dwellers have improved their diet, eating food with more protein and vitamins and less fat. At the same time, it said, they have begun buying wool, silk and satin clothes and material and living in more spacious and comfortable houses.

For every 100 families, according to the newspaper, there were at the end of the last year 61 black-and-white televisions (seven times more than in 1980), 52 washing machines (nine times more), 37 cassette recorders (21 times more), 21 color televisions (43 times more), and five electric fans (11 times more).

To meet bourgeoning local demand, the region last year produced 50 times the number of cassette recorders--7,500--than it did in 1984, increased production of tv sets 74 percent to 175,000 and washing machines 14 percent to 47,100.

Goods worth 4.3 billion yuan (1.3 billion dollars) were sold in the first 11 months of last year in the region, up 26 percent over the same period in 1984.

This generated 486 million yuan (152.2 million dollars) in revenue for the regional government, the paper reported.

/12858
CSO: 4020/181

AGGREGATE ECONOMIC DATA

BRIEFS

BEIJING SALES BOOM CONTINUES--Beijing, January 15 (XINHUA)--1985 saw a continued retail sales boom in the Chinese capital, with total volume reaching 12.75 billion yuan, 25.3 percent more than in 1984, according to statistics released by the Beijing Municipal Statistical Bureau today. The figure almost doubled that of five years ago. Sales of goods for daily use including consumer durables, which used to be less than those of food, surged to the top of the retail list, with 5.3 billion yuan, 36 percent up from 1984 or 2.6 times that of 1980. In 1985, the city sold 213,100 color television sets and 156,000 refrigerators, 3.8 times and 2.2 times that of 1984, respectively. Increases in the sales of washing machines and cameras were 70.4 percent and 31.9 percent. The makeup, furniture, arts and crafts, and piano and violin businesses also enjoyed a brisk market. The average per capita income in urban areas increased by nearly 30 percent to (?1300) yuan and in rural areas, 12.9 percent to more than 750 yuan. The amount of bank deposits in urban and rural areas reached 5.16 billion yuan at the end of 1985, 1.29 billion yuan more than at the beginning of 1985. [Text] [Beijing XINHUA in English 0907 GMT 15 Jan 86 OW] /12858

CSO: 4020/181

JINAN SECOND LIGHT INDUSTRY BUREAU ADMINISTRATION SIMPLIFIED

Simplifying Administrative Structure

Beijing RENMIN RIBAO in Chinese 7 Aug 85 p 2

[Article by Jiang Chang [3068 2545]: "We Must Be Serious"]

[Text] The Jinan Municipal Second Light Industry Bureau has unswervingly instituted reform, dissolved eight companies, saved administrative expenses, strengthened basic-level leadership, simplified administrative structure and improved efficiency in work. It is exciting to read this report. We must be serious in instituting reform.

The leadership of some units also talked about simplifying administrative structures and transferring power down to the lower levels. In reality, however, the organizations have become larger though more "simplified" and the number of personnel has increased though the personnel structure has become more "simplified." In some cases, people are made for jobs and in others jobs are created for people. In these units, oftentimes the organization is redundant and overstaffed. Work is impeded and efficiency is low. This situation is brought about by many reasons, some of which come from the higher level, which emphasizes vertical coordination to strengthen forces. In some cases, the local leading organs are full of anxiety and lack decisiveness. They are worried about not being able to make proper arrangements for the department leadership and working personnel who have been cut. In short, while simplifying administrative structure and transferring power to the lower level, they neither want nor dare to be serious.

Many facts have proved that the less daring we are to be serious the less able we are to simplify structure. Only by being serious can we make a big stride in reform. Look! The Jinan Municipal Second Light Industry Bureau dissolved eight administrative companies. Formerly, it had 907 working personnel; 744 have been cut, some of whom have arranged to carry out business and technological development and service work. Others have been sent to consolidate the basic level. Still others have been sent for continuing education in the institutions of higher learning and secondary vocational institutions. Still others have quit in order to rest or have retired. Everyone got what he or she wanted.

From this we can see that we must be serious in simplifying structure and transferring power to the lower level. One rule is to unswervingly remove all obstacles. Another rule is to realistically place personnel who have been cut from the structure and better utilize everyone else.

We hope that more units will be serious and not simply show off in simplifying structure and transferring power to the lower level.

Dissolution of Eight Companies

Beijing RENMIN RIBAO in Chinese 7 Aug 85 p 2

[Text] According to a report in the DAZHONG RIBAO, since December last year, the Jinan Municipal Second Light Industry Bureau has dissolved eight administrative companies and merged the two administrative levels of bureau and company into one. The working personnel at the organizations have been reduced from 907 to 163 employees. In the former administrative companies, 744 of the 804 people have been cut, 433 of whom have been transferred to engage in business and technological development and service work, 183 have been sent to consolidate the basic level, 124 have quit in order to rest or have retired, 11 have been sent to continue their education in institutions of higher learning or secondary vocational schools, and 53 have been sent to consolidate the bureau offices and departments. For more than 6 months, four new changes have resulted from this reform:

One, we have reduced the administrative expenses and increased revenue for the state. Every year, the higher level must appropriate over 1 million yuan in administrative expenses for the former eight administrative companies. After simplifying administrative structure, some 300,000 yuan have been saved. Furthermore, after merging and restructuring the former administrative companies into six business and technological development and service companies, 2,994,000 yuan of profits and taxes have been created in the first half of this year alone.

Two, we have consolidated and strengthened the leading bodies of some 30 basic-level enterprises and rapidly changed the outlook of those enterprises which had improper management. Due to improper management, the Jinan Lock-Making General Plant had incurred a deficit of 70,000 yuan by the end of February this year. That month the bureau party committee dispatched the party committee secretary and the deputy manager in charge of technology of the former hardware company to the plant to assume the position of party committee secretary and assistant head of the plant, thereby consolidating the leading body of the plant. Emphasizing such problems as having too large a setup, having failed to implement the responsibility system, and having eaten out of the "same big pot," the new leading body practically and realistically transferred the power to the branch factory and implemented such measures as "different stove" for the branch factory and assumption of profits and losses by the branch factory, thereby effectively mobilizing the enthusiasm of the staff members and workers and rapidly converting deficit to profit for the enterprise.

Three, we have reduced management levels. At the same time, we have transferred the proper decision-making power of the enterprise to the enterprise, thereby arousing the initiative and enthusiasm of the enterprises in opening up and revitalizing themselves and increasing production and profits. For instance, after exercising decision-making power in business, the Jinan Plasticware Factory No 1 established joint operations with more than 30 urban and rural enterprises and set up a plasticware joint development company and a plastic ornaments company. It further expanded its production capacity and sales. Profits realized in the first half of this year increased by 37.9 percent over the corresponding period last year. The profits realized by the entire bureau in the first half of this year registered a 20.1-percent increase over the corresponding period last year.

Four, we have promoted change in organizational workstyle and improved efficiency. Since this year, the bureau leadership has led the office and departmental personnel to penetrate the basic level on 52 occasions to physically resolve 31 practical problems of the enterprises.

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CSO: 4006/877

ECONOMIC MANAGEMENT

PRC STRENGTHENS ECONOMIC LEGISLATION, LEGAL MEASURES

HK150415 Beijing ZHONGGUO XINWEN SHE in Chinese 0838 GMT 13 Jan 86

[Text] Beijing, 13 Jan (ZHONGGUO XINWEN SHE)--The NPC and its Standing Committee, and the State Council's Research Center for Legal Legislation, last year promulgated more than 20 economic laws and items of legislation and submitted more than 30 draft laws and regulations for deliberation and approval. In the 7th 5-Year Plan period, China will formulate more than 130 economic laws and regulations.

So far, China has promulgated 422 laws and regulations, three-fourths of which are economic laws and regulations, including those governing foreign economic contracts, patents, environmental protection, and the management of special commodities.

Improving economic legislation in China has had a good effect on the country's economic life, especially in the field of foreign economic activities. Since 1979, more than 1,890 Chinese-foreign joint ventures with a total investment of d2.8 billion and some 3,400 Chinese-foreign cooperation enterprises with a total investment of more than d7.3 billion have been set up. Foreign businessmen have also set up more and more solely foreign-owned enterprises. So far, 109 foreign companies have established wholly-owned affiliates in China.

More and more enterprises and individuals in China have begun to use legal means to protect their own legitimate economic interests. Now China has set up more than 3,000 economic courts, which handled and settled 151,850 economic cases in the first 9 months last year, or 3.6 times as many as those handled in the previous year. In addition, 28 provinces, municipalities, and autonomous regions in the country have set up research centers for economic legislation or other organs for economic legislation and have set up a total of more than 270 legal consulting offices and law offices. There are more than 2,400 offices of notaries public in all parts of the country. In 1985, more than 57 million law books were printed and distributed.

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CSO: 4006/587

NEI MONGGOL GOVERNMENT ISSUES CIRCULAR ON COMPANY CONSOLIDATION

SK201338 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 19 Jan 86

[Text] The autonomous regional people's government recently issued a circular urging localities and the departments throughout the region to further check and consolidate their companies.

The circular points out: Along with deeply implementing, during the past few years, the principle with regard to enforcing the open policy to enliven the domestic economy and conducting reforms in economic systems, the majority of companies throughout the region have played an active role in developing or utilizing natural resources, stimulating the economy, making markets prosperous, and rendering services for the people's livelihood. However, some companies have adversely affected the program of further delegating rights to their subordinate enterprises and invigorating them by failing to separate political work from business operations. A few companies have also adversely affected the steady progress of the conducting of reforms in economic systems by taking advantage of the transformation drive to illegally purchase and sell important means of production and commodities in short supply.

The circular stipulates that the activities of checking or consolidating companies will cover those run by the state, by collectives, and by individuals, and those jointly run by both regional and outside units. In particular, the activities will be aimed chiefly at examining or consolidating those under the regional-level departments and bureaus. The major content of the consolidation activities includes earnestly distinguishing among the natures of the companies, strictly examining their business conditions, and conducting consolidation in the fields of company titles, business scope, financial management, tax revenues, and commodity prices. The activities will also strictly prevent the party and government organs and their cadres from engaging in business by opening enterprises. As to those who have remained in business after the issuance of documents of the CPC Central Committee and the State Council and who have not actually quit or ended their business commitments, their organs should impose party or administrative disciplinary sanctions on them and should confiscate their wages and income.

The activities of checking or consolidating companies should be concluded before the end of 1986.

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CSO: 4006/587

ECONOMIC MANAGEMENT

SHANDONG ACHIEVEMENTS IN REFORMING ENTERPRISE SYSTEM

SK210233 Jinan Shandong Provincial Service in Mandarin 2300 GMT 19 Jan 86

[Excerpts] Our province has scored marked achievements in conducting reforms in the leading systems among the enterprises. As of the end of 1985, 2,160 enterprises throughout the province enforced the responsibility system and placed plant chiefs in charge. The sound development of the transformation work has brought about the following changes in the outlook of enterprises:

1. The transformation work has strengthened the managerial system of productiond and business, brought about the unified leadership of plant chiefs over business and management, simplified the administrative structure and reduced the staff, brought into better play the enthusiasm and creativeness of plant chiefs, and has created a new atmosphere in which the command system is effective, policy decisions have been rapidly adopted, and high efficiency has cropped up in doing things.

2. The transformation work has strengthened the party construction and the ideological and political work among the enterprises.

3. The transformation work has further improved the system of convening congresses of staff members and workers and carried forward the spirit of having staff members and workers be masters of the enterprises, thus, resulting in a shift of the democratic managerial affairs exercised by staff members and workers from stressing the welfare of livelihood to participating in administrative affairs and managerial consultations.

4. The transformation work has accelerated the pace of modernizing the management among the enterprises.

5. The transformation work has enlivened the enterprises and increased their economic results.

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CSO: 4006/587

SHANGHAI PEOPLE'S CONGRESS MEETING OPENS 27 DECEMBER

OW290118 Shanghai City Service in Mandarin 2300 GMT 27 Dec 85

[Text] The municipal People's Congress Standing Committee opened its 19th meeting on 27 December. The meeting adopted a resolution approving readjustments of Shanghai's 1985 foreign trade exports and output plans of some major industrial products, as well as a resolution approving readjustment of Shanghai's 1985 budget.

Entrusted by the municipal people's government, (Yang Zhihua), vice chairman of the municipal Planning Commission, and Bao Youde, director of the municipal Finance Bureau, respectively gave reports on readjusting some budget targets, revenues, and expenditures. The reports pointed out: The implementation of Shanghai's 1985 economic and social development plan and the 1985 budget has been generally good. The annual gross industrial output is expected to increase by at least 10 percent over last year, exceeding the 8-percent increase set by the Third Session of the Eighth Shanghai Municipal People's Congress. Revenues and expenditures have also increased by fairly large margins. For various reasons, some output plans and the budget need to be readjusted accordingly. The meeting held that such readjustments are necessary and realistic.

The meeting heard a briefing by Bao Youde, head of the municipal Tax, Finance, and Commodity Price General Inspection Office, on the progress of the inspection.

Chairman Hu Lijiao pointed out: The general inspection has, for the most part, proceeded at a normal pace and has received fairly good results in the municipality. However, problems remain. It is hoped that the municipal government will do everything to ensure the success of the inspection.

The meeting examined and adopted the Shanghai municipal regulations on protection of agriculture. It also adopted a resolution on popularizing basic legal knowledge among the residents of Shanghai.

Wang Jian, vice chairman of the municipal People's Congress Standing Committee, gave a briefing on municipal People's Congress deputies' inspection of the work in Shanghai.

Chairman Hu Lijiao presided over the meeting on 27 December. The meeting will continue on 28 December.

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CSO: 4006/574

ECONOMIC MANAGEMENT

SHAANXI HOLDS MEETING TO BOOST ECONOMIC DEVELOPMENT

HK160455 Xian Shaanxi Provincial Service in Mandarin 2300 GMT 13 Jan 86

[Text] Not long ago, provincial Vice Governor Zhang Boxin held a meeting of responsible persons of more than 20 provincial committees, offices, departments, and bureaus, including the provincial planning committee, the provincial economic committee, the provincial science and technology committee, the provincial light industry department, the provincial coal industry department, and the provincial metallurgical industry department, to specifically study the problem of supporting economic development in southern and northern Shaanxi.

At the meeting the participants held that the method of widespread scattered use of funds should be abandoned. Funds should be concentrated to ensure priority projects. It is necessary to accomplish several things and to achieve practical results. Under same conditions, the departments and trades concerned should develop construction projects in southern and northern Shaanxi as much as possible. It is necessary to give play to southern Shaanxi's superiority in silk, flax, bamboo, lead, mercury, zinc, tin, and gold and northern Shaanxi's superiority in wool, salt, and coal. It is necessary to develop products with local characteristics and to increase production for the domestic market and for export. Southern and northern Shaanxi should also be provided with advanced technology, talented people, and economic informed so as to promote rapid economic development there.

In his speech at the meeting Vice Governor Zhang Boxin pointed out that it is necessary to fully understand the importance of supporting economic development in southern and northern Shaanxi to the whole province. All trades and departments must put this issue high on their agenda and seriously study and solve this problem. It is necessary to earnestly conduct investigation and study and to work out a long-term and medium-term plan for supporting economic development in southern and northern Shaanxi. Attention should be paid to quantitative and qualitative analysis and to feasibility studies so as to attain the target of less cost, more output, and good results.

The vice governor emphatically pointed out that an important thing in supporting economic development in southern and northern Shaanxi is to help train talented people. Such methods as running schools and various training classes and giving on-the-spot lectures should be adopted to upgrade the professional and management level of workers and management personnel and to gradually build a powerful contingent for developing the economy in southern and northern Shaanxi.

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CSO: 4006/587

PRC SETS UP TRAINING PROGRAM FOR MANAGERS, PARTY SECRETARIES

HK150349 Beijing CHINA DAILY in English 15 Jan 86 p 1

[By Zhu Ling]

[Text] To improve the country's industries, an ambitious program is being mapped out to train managers and party secretaries of China's larger industrial enterprises in modern methods of administration. The three-year scheme, expected to start in the latter half of this year, will involve training nearly 50,000 people.

In an interview with CHINA DAILY yesterday, Zhang Yanning, deputy minister of the State Economic Commission said that the drive came at a time when the country was working for the full realization of its economic modernization by the end of the 1990s. "The management of the nation's large and medium-sized industrial enterprises is vital to the economic development of the whole country," said Zhang.

These enterprises now number more than 6,300. They yield 47 percent of the country's total industrial output and 66 percent of the state's income from industrial enterprises. There are also nearly 53,000 small industrial enterprises in the country.

In a number of major personnel shake-ups in the larger enterprises since 1982, leading posts have been filled with young, dedicated, dynamic and well-educated people, he said. "But more than 80 percent of the new managers used to be specialized technicians and engineers and they are not very familiar with modern methods of administration," Zhang said. The program aims to reach three targets, according to Zhang. Firstly, to imbue participants with a more profound understanding of the country's policies concerning socialist construction. Secondly to alert them to the latest developments in industrial production and theories and methods of business management. And thirdly to reinforce their ability to organize, lead and make business decisions.

Since September, the State Economic Commission launched five 18-week trial crash courses for 221 managers, senior engineers, finance directors and chief accountants. The deputy minister said the commission would start the second group of trial classes next month and a training course for enterprises' Party secretaries would be added.

Institutions of higher education, including Qinghua University in Beijing and Fudan in Shanghai, are involved in running the courses. "We intend to find out from the trial courses which methods and topics will best suit the nationwide scheme. Then we will draw up specific plans for the training program," Zhang said.

Up to now enterprise managers have been taking part in a national examination scheme to ensure that they have achieved a certain level of managerial skills. The deputy minister said that those examinations for the managers of the country's large and medium-sized industrial enterprises would be completed this year.

Since July 1984, about 15,700 managers and deputy managers of larger enterprises have been examined and 98 percent of them passed the check. Those who failed have had a chance to retake them. Candidates' examination scores are important criteria for promotion.

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CSO: 4020/181

BEIJING INDUSTRIAL WORK CONFERENCE CONCLUDES

SK120025 Beijing BEIJING RIBAO in Chinese 26 Dec 85 p 1

[Excerpts] At the municipal industrial work conference which was ended recently, Vice Mayor Zhang Jianmin called on the staff members and workers on the municipal industrial front to enhance their spirit, to exert themselves, to keep their focus inward, to set strict demands on themselves, to greet the first year for implementing the "Seventh 5-Year Plan" with a brand-new attitude, and to ensure success in the first battle.

One of the major features of this conference was that the participants vigorously commended the advanced and bluntly criticized the backward, thus making those who are lagging behind "break out in a cold sweat." They also urged the enterprises not to compare their present achievements with the past but to compare with the national advanced units of their same trades and professions.

This year the municipality has maintained a good trend of sustained, steady, and coordinated development in its industrial production. Total industrial output value is expected to increase by 10.3 percent over last year. The amount of profits and taxes to be handed over to the state is expected to increase 5.3 percent over last year. All fighting goals set forth in the beginning of the year will be fulfilled. Through vigorously organizing and increasing the production of durable consumer goods that can find a good market, the municipality has succeeded in making the proportion of light industry to the total industrial output value rise from 43.8 percent to 44.5 percent. The product structure is being developed to suit the characteristics of the capital.

While summing up the municipal industrial production work at the conference, the Shoudu Iron and Steel Company, the municipal chemical industrial general company, and the municipal nonferrous metal general company introduced their experiences in strictly running their plants, grasping reform and the work of tapping potentials, overcoming difficulties, and making remarkable achievements. They were commended by the leaders of the municipal Economic Commission.

Comrades attending the conference held that in the coming year, the municipal industrial production front will still encounter a series of difficulties, such as an acute shortage of funds, a shortage of raw materials, a rise in the prices of means of production, and shortages of energy supplies. The key to overcoming difficulties, and doing a good job in industrial production in the first year, the first quarter, and the first month of implementing the "Seventh 5-Year Plan" is to make the leading cadres enhance their spirit and foster a workstyle of doing realistic work. During economic reform leaders of enterprises will have much to do. Therefore, they must concentrate their energies on grasping and improving the work of their own units.

While reviewing and summing up achievements, Vice Mayor Zhang Jianmin called on leading cadres on the municipal industrial front "not to leave their work posts," but to concentrate their main energies on their work, to set strict demands on every level, and to resolutely dismiss from posts those cadres who are not willing to work, who are incompetent, who have not been able to create a new situation for a long time, and who still show no improvements after receiving assistance.

/9738
CSO: 4006/574

CORRUPT MANAGEMENT AT DASHISHANG COOPERATIVE

Beijing RENMIN RIBAO in Chinese 11 Aug 85 p 2

[Report by Li Hu [2621 5706] and Wang Gengnan [3769 1649 0589]: "Lessons Drawn from the Closing of the Dashishang Supply and Marketing Cooperative"]

[Text] The purpose of reforming the economic system and revitalizing the enterprises is to accelerate the four modernizations, make our country prosperous and benefit the people. Unfortunately, there are people who exploit the reform for private gains, and who indiscriminately embezzle state and collective funds and properties. The closing of the Dashishang Supply and Marketing Cooperative in Feixiang County, Hebei Province, is a typical example.

I

The Dashishang Supply and Marketing Cooperative only had 29 staff members and workers, 436,000 yuan of floating funds and some 46,000 yuan of fixed assets. Prior to 1982 it was a profit-making unit. After implementing contracting in January 1983, the staff members and workers of 8 of the 12 stores and groups under it practiced corruption and used up public funds. Of the 70,000 yuan of commodities in department stores, over 32,680 yuan were used up by individual staff members and workers--46.6 percent of the entire stock. By the end of August 1984, the actual debt of the entire supply and marketing cooperative totaled 451,700 yuan, while assets totalled only 366,700 yuan.

II

Some staff members and workers of this supply and marketing cooperative seized opportunities in contracting, reform and their positions and power and adopted the most vicious measures to acquire the property of the state and collective.

From January 1983 to August 1984, a total of over 42,000 yuan of public funds was used up by individual staff members and workers of eight retail stores, branch shops and groups of the supply and marketing cooperatives. After Liu Renliang [0491 0088 5328] and Yang Bingqi [2799 0014 0366] contracted the retail department store, the former brought his wife and sister into the store and made himself the "commanding cashier." Yang Bingqi brought his brother-in-law into the shop while he himself went hither and thither seeking personal gains. People called him "the foreign minister." In the spring of 1984, under the pretext of procuring goods for the supply and marketing cooperative, Yang Bingqi went south and used public funds to purchase nearly 100,000 yuan worth of merchandise which he personally sold after shipping the merchandise to Handan. He sought exorbitant profits.

In 1 year and 8 months, over 66,740 yuan of public funds of this supply and marketing cooperative were embezzled by individuals. Such individuals as Hao Jinyu [6787 6855 3768], chairman, and Lu Qin [5684 0530], vice chairman, of the supply and marketing cooperative, embezzled 6,600 yuan of public funds.

A rule of the supply and marketing cooperative was "cash exchange and no buying or selling on credit." However, some cadres and workers of this supply and marketing cooperative did not act in accordance with regulations. They opened the back door and sold the marketable commodities on credit to their friends and relatives, with a total amount of some 38,260 yuan in credit. In his own name, Lu Qin selected marketable commodities from the warehouse of the supply and marketing cooperatives and sold them to others, incurring a total amount of some 4,690 yuan of credit for as long as 10 months.

III

Why did such serious consequences take place after the Dashishang Supply and Marketing Cooperative had implemented contracting? What lessons could we draw from it?

1. Cadres are the key to the reform of an enterprise. If we do not build a good leading body on the basis of the criteria for the four modernizations of the cadres, the system of contracted responsibility will not be effective.

2. Be it large or small, an enterprise must have sound rules and regulations. After implementing economic contracting, this supply and marketing cooperative took a laissez-faire approach and carried out contracting in a careless manner. Consequently, the retail stores and leading groups simply did what they wanted. Some units did not take inventory for 10 months, thus leaving loopholes for those people with ulterior motives.

3. We must not forget about the inspection and supervision of the leading organs at higher levels. We must not feel that since the various levels have contracted work, there is no need to inquire about them. The problem of this supply and marketing cooperative was long known by the county and commune. However, no decisive measures were taken in time to solve the problem.

Recently, the Feixiang County Party Committee and county people's government made decision regarding the following: Dismissal of three chairman and vice chairmen and four staff members and workers of the Dashishang Supply and Marketing Cooperative, with a record of major demerit and serious warning and penalty. The judicial department already arrested two embezzlers.

9335
CSO: 4006/877

GUILIN PREFECTURE INVESTIGATES ECONOMIC CRIMES

HK140411 Nanning Guangxi Regional Service in Mandarin 1100 GMT 12 Jan 86

[Excerpt] In the course of party rectification, Guilin Prefectural CPC Committee guards against the phenomenon of vague generalization when exercising leadership. The principal leading comrades of the CPC Committee personally handle the work and assign secretaries to special tasks of seriously handling major economic crimes.

In early November 1985, Guilin Prefectural CPC Committee held a special meeting on reviewing the situation of party rectification in the prefecture and counties. The participants held that the prefecture and counties had made achievements in the recent party rectification. But there were some prominent problems. Generally speaking, the prefecture did not adopt effective measures for investigating and handling major economic crimes. The personnel responsible for investigating the crimes often faced certain interruptions when they carried out their work. Therefore, only 25 percent of the cases were solved and people complained a lot about this.

The prefectural CPC Committee held: if this problem is not to be solved, our party rectification will end in vague generalization or will be carried out superficially. For this reason, after repeated discussion, the prefectural CPC Committee formulated the following resolutions:

First, the party must supervise the party organizations. The principal leading comrades must personally handle the work and assign secretaries to special tasks of seriously handling major economic crimes.

Second, we should build up the manpower for solving cases. The prefectural CPC Committee will form an examination team for handling major cases.

Third, we should introduce a responsibility system for workers responsible for solving cases.

Fourth, we should strengthen our supervision and examination.

Moreover, the prefectural CPC Committee organized workers to guide the work of party rectification in various counties and units directly under the prefectural authorities.

In order to promote the work of solving major cases, principal leaders of Guilin Prefectural CPC Committee personally handled some most typical cases. They promoted the work by giving instructions on key areas and promptly solving them.

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CSO: 4006/587

BRIEFS

RURAL AND TOWNSHIP ENTERPRISES--Comrade Gu Xiulian wrote an article for the 10 January 1986 issue of "JIANGSU XIANGZHEN QIYE ZASHI" [Jiangsu Rural and Township Enterprises Journal] entitled "Bring the Positive Role of Rural and Township Enterprises Into Still Fuller Play." The article says: Our province's rural and township enterprises have withstood new tests and have continued to develop in 1985, shedding new light on the fact that rural and township enterprises are a positive force in the province's sustained and coordinated economic development. The article says that since Jiangsu's rural and township enterprises have already grown considerably in size and number, the emphasis should now gradually shift from quantitative growth to qualitative and educational enhancement. Improvement in quality, technology, management, social education, and economic benefits should be the goal of the new year. [Text] [Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 14 Jan 86] /9599

ECONOMIC CRIMES--According to HENAN RIBAO, procuratorial organs at all levels in the province have used law as a weapon to hit hard at serious economic crimes. They have put hitting hard at serious economic crimes high on their agenda and have strengthened leadership by transferring competent personnel to deal with economic crimes. They have also done their utmost to remove various obstacles in dealing with important and major cases, recovering some 11.2 million yuan of illicit money. In investigating and dealing with economic cases, procuratorial organs at all levels have cooperated well with grain, industrial, and commercial administrations, and tax departments and have waged a joint struggle achieving good results. The procuratorial organs have also encouraged people to raise suggestions on procuratorial work, plugged loopholes, given publicity to rule by law, and raised courage of the cadres and masses in fighting against economic crimes. [Text] [Zhengzhou Henan Provincial Service in Mandarin 2300 GMT 14 Jan 86] /9599

TAX, FINANCIAL INSPECTION--The province has scored highly remarkable achievements in the large-scale tax and financial inspection. By the end of last year, the province has verified some 475 million yuan of funds that were in violation of financial discipline. At present, the province has recovered over 196 million yuan or 77.5 percent of the total amount. [figures as heard] The large-scale tax and financial inspection started in late September last year. Party and government departments at various levels transferred more than 30,000 cadres mainly from financial, tax and auditing departments and formed them into some 3,000 mobile inspection teams and special inspection teams. The target of inspection was more than 74,000 enterprises and taxpayers across the province. In the course of inspection, various localities upheld the method of handling cases while investigating them. In connection with the regulations, they adopted the policy of giving either lenient or harsh treatment as the case warranted. From start to finish, they promptly transferred the funds to the authorities, and regarded this as the focal point of the inspection. [Text] [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 8 Jan 86 HK] /9738

INTER-REGION COOPERATION DEVELOPED--Zengzhou, January 19 (XINHUA)--Authorities in Henan Province are developing inter-regional economic and technical co-operation to make better use of resources, a provincial official said today. Henan enterprises have entered into 3,000 co-operative schemes, said the official at a local economic meeting being held in this provincial capital. Inter-regional economic and technical co-operation, which has been on the increase in China over the past five years, is helping to remove barriers between regions and enterprises and to inject renewed vigor and vitality into the economy. Luoyang prefecture, in western Henan, has established economic and technical ties with 460 enterprises, research institutes and universities in more than 10 other provinces and municipalities, the official said. A 22-enterprise co-operation complex, called the Luoyang Bearing Corporation, has made 14 loss-making enterprises profitable over the past year. An electrical equipment factory in Shanxian County, Luoyang, has developed eight new products over the past year through co-operation with 11 departments outside the province. [Text] [Beijing XINHUA in English 0654 GMT 19 Jan 86 OW] /12858

CSO: 4020/181

GUANGDONG PROVINCE BOOSTS TOURIST INDUSTRY

OW151810 Beijing XINHUA in English 1517 GMT 15 Jan 86

[Text] Guangzhou, January 15 (XINHUA)--Guangdong Province has boosted its tourist industry over the past five years, an official of the Provincial Department of Tourism said here today.

More than 15 million tourists entered China via Guangdong last year, triple the 1980 figure.

The Provincial Tourist Industry earned about 1.1 billion yuan last year, 1.5 percent of Guangdong's industrial and agricultural output value and more than ten times the 1980 figure. The official attributed this to China's current open policy.

Guangdong was among the first of China's provinces to adopt flexible policies to attract foreign investment. More than 200 tourism facilities have been installed with 590 million U.S. dollars of foreign investment since 1981. More than two-thirds of the facilities, including the "Swan Hotel" and "China Hotel" in the provincial capital of Guangzhou, have gone into operation adding 46,000 hotel beds, triple the 1980 figure.

Between 1981 and 1985, Guangdong put into service more than 4,000 de luxe automobiles for tourists, accounting for 40 percent of the country's total.

While renovating many scenic spots and tourism areas and improving services, Guangdong has set up 130 travel agencies to meet the needs of the tourism boom.

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CSO: 4020/182

STEEL OUTPUT RISES 25.8 PERCENT IN 1981-85 PERIOD

OW151907 Beijing XINHUA in English 1643 GMT 15 Jan 86

[Text] Beijing, January 15 (XINHUA)--China's steel output amounted to 202 million tons during the Sixth "Five-Year Plan" period (1981-1985), and the past three years saw an annual increase of three million tons, said Qi Yuanjing, minister of metallurgical industry.

Speaking at a national metallurgical industry conference that opened here today, Qi said that steel output reached 46.7 million tons last year. He said that while steel output increased by a total of 9.58 million tons over the past five years, the consumption of standard coal was cut by ten million tons. The two figures mean a rise of 25.8 percent in steel output with a total energy consumption increase of only 6.5 percent.

The iron and steel industry has achieved sustained increases in both total output value and profit for four years running, and last year saw a total profit of 13 billion yuan--5.8 billion yuan more than in 1980--said the minister. He attributed these achievements mainly to the technical reform of existing iron and steel plants. Some 19 key state enterprises and 26 local plants doubled their profits in the past five years. Local iron and steel plant output also grew rapidly, the minister said. Their total output topped ten million tons last year, an increase of 12 percent.

In the past five years the annual output of high-efficiency rolled steel went up to seven million tons from 4.18 million tons, and over 6,650 new types of materials were developed by research institutions and enterprises, according to the minister.

In addition, the output of iron ore reached 131 million tons last year, he added.

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CSO: 4020/182

INDUSTRY

PRC'S STEEL INDUSTRY SET TO BEAT TARGET

OW160932 Beijing XINHUA in English 0711 GMT 16 Jan 86

[Text] Beijing, January 16 (XINHUA)--China plans to produce 49 million tons of steel, about 44.8 million tons of iron and 135 million tons of iron ore this year, said Metallurgical Industry Minister Qi Yuanjing here Wednesday.

Addressing a national meeting on iron and steel production which opened here yesterday, the minister said China's steelmakers could boost last year's production figure of 46.7 million tons of steel provided there was an adequate supply of iron ore.

China had great potential for boosting iron production, the minister said. An extra 4.8 million tons if pig iron could be produced each year through more efficient use of furnaces.

In the coming five years, he said, existing steel plants were expected to produce 10 million tons of steel more than the set target for the period.

By 1990, China plans to produce at least 55 million tons of steel, and hoped to top 60 million tons, in addition to 44 million tons of rolled steel. And the industry hoped to make more than 16.5 billion yuan profit.

But half the energy needed to do this would have to be acquired through thrift.

The minister also told the meeting that top development priority in the coming five years would be given to high-efficiency rolled steel, such as low-alloy steel and new varieties needed for the development of energy, transport and the electronics industry.

By 1990, the second stage of construction at the massive Baoshan Iron and Steel complex near Shanghai would be completed, and the second stage of the Panzhihua complex in Sichuan Province would be in full swing.

Technological transformation of large steel enterprises in the next five years would be focused on improving quality, adding varieties and reducing energy consumption.

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CSO: 4020/182

INDUSTRY

PRC TEXTILE OFFICIALS STRESS IMPROVED QUALITY

OW161020 Beijing XINHUA in English 0745 GMT 16 Jan 86

[Text] Beijing, January 16 (XINHUA)--China's textile industry last year turned out 40 kinds of products which are judged to be up to the advanced international level, bringing the figure in the Sixth Five-Year Plan period (1981-1985) to 272, an official from the textile ministry told XINHUA today.

The 40 include cotton yarn, khaki drill and knitwear such as T-shirts put out by the Shanghai Jinfu Knitwear Mill, stretch jerseys from the Jinan Knitwear Mill and cotton sportswear from the Tianjin Knitted Sportswear Plant. They all won state gold and silver prizes for last year.

During the past few years consumers have been demanding higher quality, and the textile industry has been shifting its emphasis from merely increasing output to producing more varieties to meet market demand. Nine billion yuan (about three billion U.S. dollars) has been invested in the technological upgrading of existing factories during the period, exceeding the amount of investment in new plants.

As the state has twice cut the price of synthetic fiber products in the period, the Ministry of Commerce predicted that this year would witness a still larger volume of purchasing with higher demands on design, variety, style and quality.

Addressing a national meeting on textile production held here last week, Minister of the Textile Industry Wu Wenying urged textile mills to turn out more marketable products while developing new varieties and improving quality.

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CSO: 4020/182

INDUSTRY

BRIEFS

NEI MONGGOL BUILDING MATERIAL--The building material industry of Nei Monggol saw a great development during the 6th 5-Year Plan period. By the end of this year, the fixed assets and the output value of the building material enterprises throughout the region are expected to reach 600 million yuan and 500 million yuan, increasing by 100 and 150 percent, respectively, over 1980. [Summary] [Hohhot NEIMENGGU RIBAO in Chinese 6 Dec 85 p 1 SK] /9599

NEI MONGGOL TEXTILE INDUSTRY--Textile industrial enterprises in Nei Monggol Region have overfulfilled the 1985 production target 1 month ahead of schedule. By the end of November 1985 the total regional textile industrial output value amounted to 688.7 million yuan, a 20.98 percent increase over the corresponding period in 1984. [Summary] [Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 3 Jan 86 SK] /9599

SHAANXI MACHINE-BUILDING INDUSTRY--During the 6th 5-Year Plan period, the province's machine-building industry scored good results. Great changes have taken place in several aspects. The total output value of the province's machine-building industry for 1985 increased by 83 percent over 1980, and the submitted profits and taxes for 1985 increased by 30 percent over 1980. The province's machine-building industry developed 909 new products during the 6th 5-year Plan period. During the 6th 5-Year Plan period, the Ministry of Machine Building Industry and the provincial authorities arranged 38 priority technological transformation projects, of which 26 have been completed and put into operation. [Summary] [Xian Shaanxi Provincial Service in Mandarin 2300 GMT 7 Jan 86 HK] /9599

YUNNAN DEFENSE INDUSTRY PRODUCTION--During the 6th 5-Year Plan, the national defense science, technology, and industry system in Yunnan actively switched to the production of civilian goods while ensuring military requirements. Output value of the system rose by an annual average of 20.1 percent during the plan, including an annual rise of 21.8 percent for civilian goods. The key civilian goods now being produced by the system include light vehicles, optical instruments, bicycles, refrigerators, television sets, and calculators. Output value of civilian goods accounted for 83.8 percent of total output value of the system last year, compared with 33.7 percent in 1979. [Summary] [Kunming Yunnan Provincial Service in Mandarin 2300 GMT 8 Jan 86 HK] /9599

HUNAN'S BUILDING MATERIALS INDUSTRY--In 1985, the province greatly developed the building materials industry. The number of provincial building materials enterprises was increased by 100, bringing more than 100 million yuan of investment to the industry, more than twice the sum invested in the province by the state in the same period. According to incomplete statistics, in 1985, the province's newly formed building materials enterprises achieved a total output value of 30 million yuan. [Summary] [Changsha Hunan Provincial Service in Mandarin 1100 GMT 14 Jan 86 HK] /9599

IRON SMELTING INDUSTRY BEGUN--Taiyuan, January 9 (XINHUA)--Peasants in Shanxi Province have started an iron-smelting industry, according to the local SHANXI DAILY. Encouraged by the provincial government, they have built 225 iron-smelting furnaces with a combined production capacity of 1.2 million tons of pig iron a year with locally-raised funds. Construction of another 300 is under way. Shanxi is richly endowed with coal, iron ore and other mineral resources. About 900 iron ore mines, set up by over 50 counties and districts in Shanxi, produce 2 million tons of iron ore a year--enough for these small furnaces. The paper said the appearance of this iron-smelting industry has enabled Shanxi to supply up to 800,000 tons of pig iron to other provinces and regions a year, easing the market shortage of pig iron; make full use of (?local) coal resources; employ surplus rural labor; and improve the life of the peasants in the mountainous areas. [Text] [Beijing XINHUA in English 1449 GMT 9 Jan 86 OW] /12858

DECORATION ITEMS PRODUCTION EXCELS--Guangzhou, January 14 (XINHUA)--Guangdong Province in southern China has 184 factories producing quality room decoration materials and products. The province is now able to provide more than 70 percent of its needs for modern buildings, according to a local official. Most interior decoration items used for big hotels, bars and department stores were imported from abroad in the past. The province produces over 3,100 varieties of room decoration products. These include furniture, lamps, household electric appliances, decoration coatings, kitchen utensils, beauty shop equipment, and audio and video equipment. Guangzhou, capital of Guangdong Province, built a production line with a surface treatment capacity of 3,500 tons of aluminum materials at the end of last year. The line is able to provide products in seven different colors, the official said. Guangdong's furniture enjoys high prestige in China. Guangdong furniture accounts for 60 percent of China's total furniture exports. [Text] [Beijing XINHUA in English 1455 GMT 14 Jan 86 OW] /12858

CSO: 4020/182

ANHUI RIBAO REPORTS SMOOTH PROGRESS IN KEY PROJECTS

OW160002 Hefei ANHUI RIBAO in Chinese 28 Dec 85 p 1

[Article by Xu Kejia]

[Text] The construction of 10 key state engineering projects in Anhui is proceeding at a fast pace and with good quality. Thanks to the attention of the provincial party committee and the provincial government and to the introduction of the responsibility system in land aquisition, material supply, construction work arrangement, and public bidding by various departments concerned, an unprecedentedly excellent situation, characterized by fast speed and good quality, has emerged since the beginning of this year in the construction of the 10 projects listed as key state construction projects or state-local key construction projects. They are namely the Huainan mining district, the Huaibei mining district, the Luohe power plant, the Pingyu power plant, the 500,000-volt power transmission line between Huainan and Fanchang, the Ningguo cement plant, the Hefei state synchronous radiation laboratory, the Tongling phosphamidon, the floating production line for the Bengbu plate glass factory, and the Renlou coal mine in Huabei. A total of 26,952 meters of tunnels have been completed in the Huainan and Huaibei mining districts, one of the 10 major coal bases in the country: Following the completion of the Panyi and the Zhuxianzhuang pits, the Linhuan pit, with an annual capacity of 1.8 million metric tons, is under acceptance tests and will be put into production soon. The No. 1 generating unit, with an annual generating capacity of 300,000 kilowatts, has been basically completed at the Luohe power plant. The Huainan-Fanchang section of the 500,000-volt extra-high tension power transmission line between Huainan and Shanghai, which is an auxiliary project for the Luohe power plant, has been completed and is under acceptance testing. The Ningguo cement plant, our province's first modern cement plant with an annual capacity of 1.5 million metric tons, has trial-produced 150,000 metric tons of cement. The rapid pace and good quality in the construction of the Hefei state synchronous radiation laboratory has received favorable evaluations at home and abroad. Preparations for the construction of the Tongling phosphamidon and the floating production line for the Bengbu sheet glass factory have been completed, and some of the auxiliary construction works have been completed. Also, the construction of the main pit of the Renlou coal mine was started ahead of time, and the construction of its auxiliary and wind pits will be started before the end of this year.

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CSO: 4006/591

CONSTRUCTION

LOCAL MATERIALS USED IN BUILDING SHANGHAI PLANT

OW151150 Beijing XINHUA in English 1030 GMT 15 Jan 86

[Text] Shanghai, January 15 (XINHUA)--As workers build the second phase of the Baoshan Iron and Steel complex here, Chinese expertise and materials are taking over from foreign imports.

Japanese and federal German experts designed the first phase, which opened in September, a local official said today, while Chinese have designed and are supervising the second.

Moreover, 70 percent of the second phase's equipment will be Chinese--compared to 12 percent of the first, the official said.

The second phase consists of 22 projects, including four coking furnaces, a blast furnace, and hot and cold steel rolling plants.

Once its second phase is completed in 1990, the complex is expected to produce 6.7 million tons of steel, 4.2 million tons of rolled steel and 6.5 million tons of pig iron annually--more than any other Chinese iron and steel facility.

During the second phase, two steel sheet and plate rolling mills will be imported from the Federal Republic of Germany and two continuous casting mills from Japan.

Plans call for the new rolled steel to include sheets and plates ranging from 0.3 to 24.5 millimeters in thickness.

According to the official, these will be used to replace imported sheets and plates in the manufacture of motor vehicles, ships and household electrical appliances.

Over 60 percent of the equipment in these mills will be jointly designed and made or be made entirely by Chinese workers with technology transferred by Japanese and federal German firms, according to the official.

Most of the rest of the equipment used in the second phase will be built in China, the official said. Imports will be restricted to small sets of equipment for specific processes. In the first phase complete sets of imported equipment were widely used.

After the two steel rolling plants open in 1988 and 1999, officials expect the works to increase its annual production of rolled steel from half a million tons to 4.22 million.

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CSO: 4020/182

CONSTRUCTION

HUBEI COMPLETES CONSTRUCTION OF NO. 2 MOTOR VEHICLE PLANT

HK101404 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 9 Jan 86

[Excerpt] Yesterday afternoon, the State Commission for Examining Projects held a summary meeting at the No. 2 Motor Vehicle Plant, at which the commission announced that the plant was certified as up to standards of the state.

The meeting received congratulatory messages from the State Council, the provincial CPC Committee, the provincial government, the Ministry of Machine-Building Industry, and the China Automotive Industry Corporation on the plant's successful construction and inauguration. They also congratulated all engineers, technicians, workers, and cadres who participated in the project.

The building of China's No. 2 Motor Vehicle Plant has long been the aspiration of the party and state leaders of the older generation. It is also China's largest motor vehicle industry project in terms of investment and scale of operation. The project was started in October 1969. After 16 years, it has now accomplished accumulatively 96.8 percent of the investment sum approved by the state. And 98 percent of its over 21,000 items of plant and more than 500 production lines were designed and produced by China. At present, the plant has an annual production capacity of 85,000 motor vehicles. In some areas, its annual production capacity has reached the level of 10,000. Starting from 1978, the factory has made more than 376,000 motor vehicles with an annual growth rate of 10,000 motor vehicles. Its accumulative profits total 1.68 billion yuan and its profit delivery totals 1.51 billion yuan. It has also brought over $39 million of foreign exchange to the state. Therefore, it has built in various mountain areas a modern motor vehicles industrial base; and has created a prosperous situation.

The State Commission for examining projects before acceptance acknowledged that the inauguration of the No. 2 motor vehicle plant was another remarkable achievement in China's history of building socialism.

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CSO: 4006/591

CONSTRUCTION

BRIEFS

HENAN BALLBEARING BASE--The construction of an export base whose annual capacity of 12 million sets of small ballbearing--one of the key projects of the state during the 6th 5-Year period--was recently completed in Luoyang and put into operation. This small ballbearing of superior quality and low noise is mainly used in a washing machine, refrigerator, electric fan, and other domestic electrical appliances. In the past, the state had to spend a large amount of foreign exchange to purchase such ballbearings. At the end of 1982, the state approved the construction of this project. Some 26 million yuan was invested in this project, which was basically completed by October last year. Since the base began production, such ballbearings have been praised by Beijing Bailan-brand washing machine plant and the Guangzhou Wuyang-brand washing machine plant. From 8 to 11 January, the Ministry of Machine-Building Industry organized experts to examine, check, and accept this project in an all-round way and held that the level of production techniques and the measures for inspection are relatively advanced and that the quality has attained the standard of similar products abroad. [Summary] [Zhengzhou Henan Provincial Service in Mandarin 2300 GMT 12 Jan 86 HK] /9599

STEEL PLANT CONSTRUCTION CONTINUES--Chengdu, January 15 (XINHUA)--The second stage of construction began yesterday at the Panzhihua Iron and Steel Plant at Dukou, Sichuan Province, an official of the State Planning Commission said here. It is one of the major programs in the Seventh Five-Year Plan, which began this year, and when completed will boost the plant's annual output of iron, steel and rolled steel by more than a million tons. The plant has been able to produce 1.7 million tons of steel and 1.5 million tons of iron a year since the first stage of construction was completed in 1974. The new stage includes the building of a blast furnace system, an ingot casting system, a steel-rolling mill and facilities to study the further application of other metals, such as vanadium and titanium magnetite. Zhao Zhongyu, manager of the Panzhihua plant, said: "A fourth blast furnace, to be put into operation in 1989, will be able to produce 830,000 tons of steel a year." The plant also aims to vary its products to include metal plates, sheeting and wire, Zhao said. [Text] [Beijing XINHUA in English 0635 GMT 15 Jan 86 OW] /12858

CSO: 4020/182

TIANJIN COOPERATES WITH OTHER PARTS OF COUNTRY

OW110321 Beijing XINHUA in English 0253 GMT 11 Jan 86

[Text] Tianjin, January 11 (XINHUA)--Tianjin, one of China's major industrial centers, has strengthened economic ties with other parts of the country while opening further to attract foreign trade and investment.

According to the municipal authorities, the city has signed 4,200 economic cooperation contracts with 22 provinces and municipalities. They include 700 joint development projects, 2,500 items of technical cooperation and 930 schemes to train qualified personnel.

Half of the contracts have already been put into effect.

While allowing other provinces and municipalities to set up agencies here, Tianjin has exchanged information with 150 units throughout the country.

Its 30 trade centers and 427 technical consultancy agencies in various parts of the country have helped the city obtain through exchange more than 100 kinds of badly needed materials worth 1.6 billion yuan in the past few years.

The city has sent more than 1,000 experts and technicians to other provinces to give lectures, provide technical consultancy, and helped train 3,000 technicians and 1,200 students.

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CSO: 4020/174

LIAOWANG INTERVIEWS DEPUTY FOREIGN TRADE MINISTER

HK130635 Hong Kong LIAOWANG OVERSEAS EDITION No 1 in Chinese 6 Jan 86 pp 11-12

/Wang Pingqing, vice minister of Foreign Economic Relations and Trade, interviewed by LIAOWANG reporter: "New Policies and Measures To Be Adopted for China's Foreign Economic Relations and Trade"/

/Text/ /Question/ Could you please discuss the situation in China's foreign economic relations and trade during the Sixth 5-Year Plan period?

/Answer/ China's foreign economic relations and trade made new developments and attained unprecedented achievements during the "Sixth 5-Year Plan" period. These include import and export, introduction of technology, utilization of foreign capital, foreign aid programs, contracts for foreign projects and overseas employment, as well as various joint economic and technical ventures. It is estimated that the total export-import volume during the Sixth 5-Year Plan period of 1981 to 1985 was twice that of the Fifth 5-Year Plan period. China's share of world export volume increased from 0.92 percent in 1980 to 1.25 percent in 1985, and she rose from 28th place to 16th place in world ranking. At the same time, imported commodities during the "Sixth 5-Year Plan" period underwent new changes. Import of agricultural byproducts such as grains, cotton, edible oil and oil crops was significantly reduced; these commodities have been imported in great quantity for many years. On the other hand, import of materials needed for industrial and agricultural development grew by a big margin.

Introduction of technology during the "Sixth 5-Year Plan" period also began to register major changes. First, its focus shifted gradually from import of complete large-scale equipment to coordination with technical renovation of old enterprises. Second, the forms for introduction of technology have been diversified. Third, the industries engaged in the introduction of technology have been greatly expanded and involved more than 10 areas including machinery, electronics, chemical industry, and textile.

The strategic measure of using foreign capital to accelerate economic development during the "Sixth 5-Year Plan" period gained remarkable success in actual practice. The country's foreign credits and capital were used mainly in the weak links of the national economy, particularly in major construction projects in energy, communications, railways, ports and raw materials. The use of foreign capital not only made up for the shortage of construction capital in the country, but also helped absorb advanced foreign technology and management experience, thereby playing a positive role in pushing forward the country's economic construction and scientific and technological progress.

Naturally, while we thoroughly assessed the achievements made in developing foreign trade during the "Sixth 5-Year Plan" period, we also clearly took note of the existing difficulties and problems in the present development. For instance, world trade protectionism is growing day by day, competitiveness of China's export products is declining, while the export growth rate is still not ideal; export product composition remains comparatively backward; administrative and management personnel in foreign trade are still inexperienced, and other problems.

/Question/ Please talk on the guiding ideology for developing foreign economic relations and trade during the "Seventh 5-Year Plan" period.

/Answer/ The guiding ideology for developing foreign economic relations and trade during the "Seventh 5-Year Plan" period is: Under the premise of adhering to reform, opening up to outside world and invigorating the economy, and also continuously raising quality and economic efficiency, with focus on strengthening export earning capability and realizing an international balance of payments, it is necessary to positively utilize domestic and foreign capital and resources, open up domestic and foreign markets, and on the basis of the "Sixth 5-Year Plan," further expand the extent of foreign trade, utilization of foreign capital, and introduction of technology as well as of economic and technical cooperation of specific projects with foreign countries. At the same time, it is necessary to build a solid foundation for greater development of foreign economic relations and trade in the next 10 years.

/Question/ What are the targets for total export and import trade volumes under the "Seventh 5-Year Plan"?

/Answer/ During the "Seventh 5-Year Plan" period, based on the principle of independence, equality and mutual benefits, we should further strengthen economic contacts and technical exchanges with all countries of the world, including developed and developing countries, and strive to increase the total export-import volume in 1990 by 40 to 50 percent over that of 1985. At the same time, we should actively expand the scope of utilization of foreign capital and introduction of advanced technology in order to accelerate the pace of our country's socialist modernization. Hence, it is necessary to gradually establish and perfect the different rules and regulations on foreign trade, and through the strengthening of legislation, ensure the orderly conduct of foreign trade.

/Question/ What are the new measures that are to be taken by the Ministry of Foreign Economic Relations and Trade in 1986?

/Answer/ Some new policies and measures will be adopted in 1986 to further develop foreign economic relations and trade. For example, it is necessary to pay close attention to, and do a good job of implementing and setting up an export production system and vigorously enhance export earning capability. In the export of large quantities of agricultural byproducts, it is necessary to concentrate on major production regions, and select and designate the best areas to create export production bases. As for the export of industrial items including machinery and mineral products, it is necessary to focus on big cities with better industrial foundation, notably coastal cities and major mining areas, and select and designate the most outstanding factories and mines as specialized export-oriented factories and mines. Designated export production bases and specialized factories and mines need not take on state assignment on production for domestic consumption. Instead, they should concentrate all efforts to gradually develop a large number of named brand articles which are good quality, have low production cost, are marketable and are of the latest style, so that they can become the main pillar of China's export earning industry.

In 1986, it is also necessary to strengthen management of foreign trade transportation in order to ensure the completion of foreign trade plans. During the "Seventh 5-Year Plan" period, a number of deepwater berths and docks for container transport, as well as special docks for large quantities of goods and dangerous articles will be constructed. Steps will also be taken in the near future to build some floating docks. The railway transport of fresh and raw products to Hong Kong and Macao will also be vigorously improved.

An important measure to be adopted in 1986 is the strict management of exports to Hong Kong and Macao. From the State Council to the Ministry of Foreign Economic Relations and Trade, it has been decided with firm determination that the problem of "smuggled goods" must be resolved. "Smuggled goods" not only disrupt the marketing channels for China's export commodities, but also smear China's foreign trade reputation and jeopardize the country's interest. We absolutely cannot tolerate the proliferation of "smuggled goods," and will take strong measures to deal with them severely. At present, the Ministry of Foreign Economic Relations and Trade is meeting with concerned departments and commissions from the central authorities to draw up a document on strengthening administration of exports to Hong Kong and Macao. Provisions will cover more than 200 items including the two kinds of yarns (cotton yarn and cotton-polyester cloth), grains, edible oil and fresh and raw items which will be uniformly subject to administration through fixed quota and license grant. Violators will be prosecuted according to the law. At the same time, antismuggling measures and control over foreign exchange will be reinforced.

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CSO: 4006/575

FOREIGN TRADE AND INVESTMENT

XIZANG ECONOMIC INVESTIGATION TEAM LEAVES FOR HONG KONG

HK290407 Lhasa Xizang Regional Service in Mandarin 1130 GMT 28 Dec 85

[Excerpts] The regional CPC Committee, People's Congress Standing Committee, people's government, CPPCC, and military district held a ceremony on the morning of 28 December to bid farewell to the Xizang economic investigation group which is leaving for Hong Kong. Responsible comrades of the party, government, and army including Raidi, Jiang Hongquan, and Peng Zhe attended.

The group is headed by Doje Cering, acting chairman of the regional government. Mao Rubai, chairman of the regional committee for the promotion of external economic relations and trade, is the deputy leader. The group members are responsible persons of economic departments concerned.

Doje Cering spoke at the ceremony. He said: During its stay in Hong Kong, the group will introduce Xizang's economic development situation and strong points in resources to Chinese and foreign financiers, businessmen, and others. It will display various animal and mineral products for sale. The group will also hold talks with sectors concerned of Hong Kong and Macao and of foreign countries regarding economic and technological cooperation, the import of foreign capital, and so on.

Regional CPC Committee Deputy Secretary Raidi also spoke. He said: Foreigners feel Xizang is very mysterious and do not know about it. During its stay in Hong Kong, the investigation group should enable people of all sectors to know more about Xizang's economy, trade, tourism, and so on, to lay a good foundation for launching foreign trade, importing foreign capital, and developing tourism in the region.

/9599
CSO: 4006/583

FOREIGN TRADE AND INVESTMENT

PRC REORGANIZES TRADING COMPANY IN MACAO

HK271200 Hong Kong SOUTH CHINA MORNING POST in English 27 Dec 85 p 8

[Text] Macao: China's trading arm in Macao has been reorganised in an apparent attempt to streamline mainland business in the Portuguese territory.

The 36-year-old Nam Kong Trading Co. will become part of the newly-formed Nam Kong (Group) Co. Ltd., which will be officially launched tomorrow.

The new firm was registered with the Macao Government on August 23, with a registered capital of 20 million patacas (about HK $20 million).

The chairman of the company's board of directors is Mr Ke Zhengping, who is regarded as China's official representative in Macao. He has headed Nam Kong Trading Co. for the past 36 years.

A special ceremony to be held tomorrow will be attended by the governor of Macao, Rear-Admiral Vasco de Almeidae Costa, as well as community leaders.

A vice-minister of the Ministry of Foreign Trade and Economy of China, Mr Jia Shi, will be among the guests.

The new company will handle China's import and export business in Macao and acquire foreign technology and equipment for the mainland.

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CSO: 4020/176

FOREIGN TRADE AND INVESTMENT

PUNGAN, PRC'S ZHENG TUOBIN SIGN TRADE PROTOCOL

AU251919 Bucharest AGERPRES in English 1850 GMT 25 Dec 85

[Text] Beijing (AGERPRES) 25/12/1985--Economic talks took place in Beijing on December 24 and 25 between Vasile Pungan, Romanian minister of Foreign Trade and International Economic Cooperation, and Zheng Tuobin, minister of Foreign Trade and Economic Relations of the People's Republic of China.

The Romanian minister also had working meetings with executives of the Chinese State Planning Council and the State Economic Commission.

The talks with Chinese officials focused on the implementation of the understandings reached and decisions made at top level in Beijing this October in the field of Romanian-Chinese commercial and economic relations, as measures were set meant to contribute to the further development of economic cooperation and goods exchanges.

The foreign trade ministers of the two countries signed the protocol between the Romania and Chinese governments on good exchanges and payments for 1986, which stipulates a substantial growth of the reciprocal goods deliveries as to 1985.

The Romanian minister called on Wan Li, member of the Political Bureau of the CC of the Chinese Communist Party, vice-premier of the State Council of the People's Republic of China.

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CSO: 4020/176

FOREIGN TRADE AND INVESTMENT

BOTSWANA OFFICIAL INSPECTS PRC-AIDED PROJECT

OW091942 Beijing XINHUA in English 1840 GMT 9 Dec 85

[Text] Gaborone, December 9 (XINHUA)--Botswana's Vice-President and Minister of Finance and Development Planning Peter Mmusi today inspected the work site of a railway re-laying project utilizing Chinese technical assistance.

Accompanied on the inspection by Botswana's Minister of Works and Communication Colin W. Blackbeard and Chinese Ambassador Lu Defang, Mmusi showed keen interest in the work of the Chinese experts and Botswana workers.

He told XINHUA later: "I was very impressed by the work done on the railway under the leadership of the Chinese team together with our friends from the Ministry of Works and Communication." He hoped that the local workers would gain considerable experience from their Chinese counterparts.

The 25 million pula project (12 million U.S. dollars) to re-lay 120 kms of rail line between Gaborone and Ramazlabama on the Botswana-South Africa border commenced on July 30 this year and is expected to be completed by July 1987. Twenty kms will be re-layed by the end of this year.

A team of about 40 Chinese engineers, technicians, supervisors, and craftsmen is in Botswana to assist the Department of Railways in carrying out the renewal and upgrading work as part of an economic co-operation agreement between Botswana and China.

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CSO: 4020/176

FOREIGN TRADE AND INVESTMENT

CHEMICALS CORPORATION RANKS FIRST AMONG FOREIGN TRADE COMPANIES

HK070845 Beijing CHINA DAILY in English 7 Jan 86 p 2

[Article by staff reporter Xie Songxin]

[Text] China National Chemicals Import and Export Corporation ranks first among all foreign trade companies in the country, with 1985 earnings of $10.9 billion.

Addressing a conference of corporation managers yesterday, Zheng Dunxun, president of the company, said $7.4 billion worth of products were exported last year, chiefly crude oil and petroleum products.

The corporation, Zheng said, imported $3.5 billion worth of chemical products and raw chemicals.

Import-export earned the corporation 3.8 billion yuan in profits.

In the past 5 years, the corporation earned nearly $2.95 billion in foreign exchange, a 1.6-fold increase over the 1976-1980 period. Trade volume reached nearly $4.56 billion, accounting for 20 percent of foreign trade in that sector.

Despite fierce competition in world markets, the corporation has set a $7.3 billion goal for the next 5 years, according to Zheng.

It forecasts exports of crude oil and petroleum products to increase 6.2 percent per year in the 1986-1990 period and chemical products, 7.1 percent. By 1990, the corporation expects to be exporting $10 billion worth of chemicals a year.

To aid development of the chemical industry and guarantee exports, the corporation will import raw and accessory materials and equipment for chemical manufacturers, Zheng said.

Last year, the corporation spent $330 million in foreign exchange to import raw materials for 400 factories. This year, it plans to spend $450 million.

The corporation will also enlarge barter and entrepot trade channels, Zheng said. Last year, the corporation trans-shipped 900,000 tons of Iranian and Algerian oil and the figure is expected to rise to 2 million tons this year.

The corporation maintains extensive business ties in Southeast Asia and Japan. In coming years, that focus will spread to the Soviet and East European markets, he said.

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CSO: 4020/176

FOREIGN TRADE AND INVESTMENT

PRC TEXTILE OFFICIAL PREDICTS GROWTH IN EXPORT VOLUME

HK250406 Beijing CHINA DAILY in English 25 Dec 85 p 1

[Article by staff reporter Zhu Ling]

[Text] China's textile exports will be worth more than $4.1 billion this year and are expected to increase by 5 to 10 percent next year, CHINA DAILY was told yesterday.

"Our export volume this year will parallel that of last year despite price slumps of textile products on the international market and the rising protectionism in the world's main textile importing countries," said Zhou Yunzhong, vice-president of the China National Textiles Import and Export Corporation (Chinatex).

This year China's textile exports to Hong Kong are expected to be worth $1.15 billion. Its exports to the United States will amount to $670 million while its exports to Japan will be $650 million and the EEC $330 million.

China will export nearly $600 million worth of cotton, cotton cloth, and garments to the Soviet Union and Eastern European countries this year, compared with $380 million last year, Zhou said.

"This will compensate for our export slump of nearly $200 million in Hong Kong this year which was due to earlier free-wheeling textile sales to Hong Kong from some of our enterprises which caused chaos in the region's market," he said.

The market relations were quickly stabilized after the adoption of new regulations last February, requiring that the country's textile exporters must obtain licenses to ship four products, including cotton yarn and cotton grey cloth, to Hong Kong.

Between 1980 and 1985, Zhou said, China's textile exports are expected to reach a value of $17.25 billion. Its export volume has increased at an annual rate of more than 10 percent since 1980.

Since then, China's textile imports amount to $7.6 billion, he said.

Chinatex, the country's top textile trading company, is making a four-pronged effort to further expand the exports of quality products in the coming new year.

The company's plan is to regroup the categories of its export commodities; break into new international markets; launch national bases specialized in producing raw materials and textile goods only for export; and further attract foreign technology and investment to improve finishing in the country's textile industry.

Zhou said that for export in 1986 his company will put emphasis on production of garments and such knitted and manufactured goods as bed sheets, woolen shirts, and towels.

This year, more than 50 percent of China's textile exports were raw materials and such semi-finished goods as, cotton cloth and yarn.

The company will strive for new markets in Latin America, Southeast Asia, and Arab countries. Plans have been made to send sales agents to those areas to promote exports. More than 70 percent of China's textile exports go to Hong Kong, the United States, Japan, and the EEC.

Zhou Yunzhong said the company will start with the establishment of specialized bases to produce cotton and garments.

The initial choices for cotton production bases are Shandong, Hubei, Xinjiang, Henan, and Hebei.

And garment-making centres are expected to be launched in Shanghai, Tianjin, and Qingdao, he said.

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CSO: 4020/176

FOREIGN TRADE AND INVESTMENT

PRC TO ADOPT LICENSING SYSTEM FOR EXPORTS TO HONG KONG, MACAO

HK290918 Hong Kong WEN WEI PO in Chinese 28 Dec 85 p 2

["Special Dispatch" from Guangzhou by reporters Lan Ching-chung [5663 7231 0022] and Tan Tan-hui [6223 0030 1979]: "All-Round Licensing System To Be Introduced for Goods Exported From the Interior to Hong Kong and Macao"]

[Text] According to authoritative sources, a licensing system will soon be introduced for all goods exported from the interior to Hong Kong and Macao. This has been approved by the State Council. Once detailed rules and regulations are worked out by the Ministry of Foreign Economic Relations and Trade, the system will be promulgated and put into effect. This will serve as an experiment for instituting the licensing system in an all-round way in China's foreign trade and exports in the future.

After the introduction of the system, commodities will be classified in three groups and exported under three different kinds of licenses, namely, "special export license," "quota export license," and "ordinary export license."

Some 20 kinds of goods which are under the control of a few special foreign trade corporations should be exported under the special license, whereas about 230 kinds of goods are to be exported with quota licenses, and the rest of the commodities are to be classified as the third group which can be exported under ordinary licenses.

It has been learned that the Ministry of Foreign Economic Relations and Trade will allot these quotas to all provinces, cities, autonomous regions, and the cities which are excluded from the state plan in accordance with export plans and the market situation. Quotas to the four special economic zones and the Hainan Administrative Region will be included in the quota total alloted to Guangdong and Fujian Provinces.

Quotas to enterprises engaged in processing raw materials on client demand and compensation trade as well as equity joint ventures will be alloted by the provinces, cities, and autonomous regions where they are according to the scale of their business. However, it has been decided that these enterprises will no longer process two kinds of sand [liang sha 0357 3097], two kinds of cloth [liang bu 0357 1580], and tinned button mushrooms on client demand or in the form of compensation trade. Meanwhile, no agreements should be concluded with foreign companies on any new licensed commodities for export unless they are approved by the Ministry of Foreign Economic Relations and Trade and licenses are granted.

Commodities which should be exported with special licenses and quota certificates should also be controlled by the authorities at various levels, while the quality must be ensured and their prices must be adjusted in a coordinated way. Licenses for ordinary export goods will be issued by the foreign economic relations and trade departments at the provincial, city, and regional levels after units engaged in exports declare the quantity and amounts in money. Fresh fruits and vegetables and live and frozen goods can still be exported according to the rules and regulations in force.

To coordinate the measures to export all goods with licenses, banks should pay and customs should release goods at the sight of such documents so as to exercise strict control over export goods.

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CSO: 4006/583

FOREIGN TRADE AND INVESTMENT

ANHUI PLANS TO EXPORT MORE GOODS IN 1986

OW111234 Beijing XINHUA in English 1220 GMT 11 Jan 86

[Text] Hefei, January 11 (XINHUA)--Anhui Province plans to export 18.3 percent more goods this year, according to Zhang Guohui, chairman of the Provincial Committee of Foreign Economic Relations and Trade.

By the end of 1990, Zhang said, the total volume of export will be double the 1985 figure of 300 million U.S. dollars.

To ensure this, the province plans to establish 20 bases and designate a number of factories to produce export-oriented goods including tea, quality rice, soybean, rape seeds containing low-percentage of eruici acid, valuable herbal medicine, and coal, machines, cotton yarns, garments, paper, and marbles.

In addition to increasing export goods, Zhang said, the province will import 120 million U.S. dollars-worth of goods this year, up 20 percent over last year; conclude 200 contracts on importing technology; absorb 60 million U.S. dollars of foreign investment this year, up 20.8 percent over last year; and sign contracts on foreign projects and providing labor service, involving 7 million U.S. dollars.

Between 1981 and 1985, Anhui made direct trade contacts with more than 100 countries and regions. It spent 258 million U.S. dollars on importing 492 items of technology and equipment, and built 57 projects with a total foreign investment of 222 million U.S. dollars.

The province sent more than 2,000 people abroad for construction of 12 foreign aid projects over the past 5 years and contracted to build foreign projects and provide labor service in deals involving 4.42 million U.S. dollars.

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CSO: 4020/174

FOREIGN TRADE AND INVESTMENT

INVESTMENT LAW AIMED AT EASING FOREIGN WORRIES

OW141730 Beijing XINHUA in English 1625 GMT 14 Jan 86

[Text] Beijing, January 14 (XINHUA)--Worries foreign businesses might have about investing in China will be relieved by a new draft law, National People's Congress Standing Committee members agreed here today.

In panel discussions during the committee's 14th session, committee members noted that the draft law embodied the spirit of China's policy of opening to the rest of the world and expanding its economic cooperation and technical exchanges with other countries.

Committee member Hong Xixi said he felt sure the draft law on enterprises financed from abroad would be welcomed by foreign investors.

It stipulates that applications from investors will receive replies from Chinese officials within 90 days, and that their legitimate income can be remitted out of the country.

The draft law was submitted for examination and discussion by the committee at its current session which began on Friday.

Detailed regulations for implementing this law is being drafted in which a time limit for such enterprises will be set. Committee members all urged an early completion of the drafting work so that foreign investors will feel assured.

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CSO: 4020/174

FOREIGN TRADE AND INVESTMENT

DIRECTIVES ON JOINT VENTURE REGISTERED CAPITAL REQUIREMENTS

HK020605 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 2 Jan 86 p 3

[Article by Olivia Sin]

[Text] China has issued new guidelines specifying the amount of registered capital required in equity and co-operative joint ventures.

The registered capital (RC) will be put up by both the Chinese entities and foreign investors in the joint ventures.

In an internal directive circulated to various provinces, Chinese officials said the new RC ruling will spell out the level of risks both parties should bear in joint ventures.

"The amount of RC is the total amount of capital contributions from both sides in a joint venture and reflects the level of responsibility of the joint venture to society," it said.

Under the new ruling, both parties in joint venture projects having a total investment of less than U.S. $3 million will have to put up an RC equal to the total investment.

For bigger projects, where the investment figure is between 3 million and 10 million, the amount of RC should be not less than 3 million and the ratio of RC to total investment is 1:2.

Where the total investment is between 10 million and 30 million, the ratio of RC to investment is 1:3 and the amount of RC should be not less than 5 million.

For projects with an investment figure above 30 million, the RC/investment ratio can be relaxed to 1:4 with the minimum amount of RC fixed at 10 million.

The directive said the new ruling also applies to 100 percent foreign-owned ventures.

It said joint ventures and wholly foreign-owned ventures which fail to comply with the new ruling will have to seek permission to operate from the Ministry of Foreign Economic Relations and Trade.

The directive explained that because of lack of experience, China did not specify the ratio of registered capital to total investment in the implementing regulations for the joint ventures law promulgated in 1983.

Chinese officials are reported to have been perturbed at the meagre amount of registered capital for joint ventures, in some cases amounting to only one-thirteenth of the total investment.

"If the amount of RC is small, the risks born by foreign investors will be minimal and in turn the Chinese side will have to shoulder a higher risk," the directive said.

Trading sources said the new directive is part of China's overall moves to tighten foreign investment rules.

They said the registered capital concept is linked to the reluctance of Chinese entities to grant 100 percent bank loan guarantees to foreign investors.

Chinese leaders felt it was unfair to continue the practice since a 100 percent guarantee will dump all the risk burden of a joint venture onto the Chinese guarantors.

The new RC ruling will also wipe out a significant tax advantage enjoyed by co-operative ventures over equity ventures.

Previously, co-operative ventures were not required to set aside registered capital, which is not eligible for tax deductions.

Under China's tax law, foreign investors will have to bear all the interest costs incurred from the raising of the registered capital.

Before the new RC rule was issued, foreign investors in co-operative ventures could make allowance for the interest payment on their investment in the form of before-tax expenditure.

A legal source said some Chinese officials were demanding a higher level of equity capital a year ago and the new ruling seeks to formalise that requirement.

Some traders said that while it is fair for China to specify an amount of equity capital, the authorities should allow for exceptional cases.

The new ruling is likely to dampen investor interest in smaller projects with total investment below U.S. $3 million, according to one source.

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CSO: 4020/176

PRC, HONG KONG ACCOUNTANTS TO HOLD CONFERENCE ON PRC INVESTMENT

HK200647 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 20 Dec 85 p 9

[Article by Olivia Sin]

[Text] A large-scale conference on investment conditions in China will be staged in Guangzhou next year by the Hong Kong Society of Accountants [HKSA] and their Chinese counterparts.

High-level Chinese officials from the State Council and the State Planning Commission will address the two-day conference featuring a wide range of issues including tax, accounting practices, financing, and foreign exchange problems.

It is the first joint conference held by the HKSA and the Accounting Society of China and is aimed at fostering a better understanding about the different tax and accounting procedures in the territory and mainland.

The increasing cross-border investment and trade activities have brought about a greater need for exchanges between the two professional bodies.

The conference, which starts on February 28, will include key speeches from Chinese officials, academics, and bankers and a workshop for detailed discussion.

The list of Chinese speakers includes the adviser to the Economic Research Centre under the State Council, Prof Xu Yi, a division chief of the State Administration of Exchange Control, Chen Quangeng, the adviser to the General Taxation Bureau, Liu Zhicheng, and the vice-minister of the State Planning Commission, Gan Ziyu.

Hong Kong's financial secretary designate, Mr Piers Jacobs, will speak on the territory's role in China's economic development.

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CSO: 4020/176

MILLIONS LOANED SOON FOR DEVELOPMENT OF SHANXI COAL MINE

HK090433 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 9 Jan 86 p 5

[Article by Olivia Sin]

[Text] A syndicated loan in the region of U.S. $400 million to finance the development of the Pingshuo coal mine in Shanxi may be concluded in 3 months, banking sources said yesterday.

Sources close to the negotiations said the four lead banks hope for an "early conclusion" to the loan agreement.

It has been learned about 25 percent of the syndication will be made up of export credits with the remainder coming from commercial loans.

Despite downward pressure on world coal prices, bankers involved are confident about the viability of the project, which is said to have the backing of China's top leader, Mr Deng Xiaoping.

With a projected annual output of 12 million tons of coal, the Antaibao mine in Pingshuo, Shanxi, will be the world's largest open-cast mine. Production is scheduled to start at the end of 1987.

The project is a joint venture between the U.S.-based Occidental Petroleum Corp. and Chinese groups.

The four lead banks are the Bank of America, the Royal Bank of Canada, Credit Lyonnais, and Industrial Bank of Japan.

Occidental, through its Island Creek Coal subsidiary, has a 25 percent stake in the Shanxi project.

Another 25 percent is held by the Bank of China [BOC] Trust and Consultancy Co., with the remainder shared by China International Trust and Investment Corp. (CITIC) and the China National Coal Development Corp.

Banking sources said the $400 million will be lent to Occidental and the BOC Trust and Consultancy Corp. which have formed a 50:50 joint venture known as Island Creek China Coal Ltd.

The total cost of the project is estimated at $650 million and the balance will be found by CITIC and China National Coal.

Banking sources said in view of the complexity and size of the project, there is nothing unusual about taking 9 to 12 months to finalise the financial package.

"Negotiations have been smooth so far...the loan package may be concluded in 1 to 3 months," said a bank source.

Observers, however, suggested the negotiations may take a bit longer because the Antaibao project will provide a precedent for future coal ventures in China.

The country's leaders are anxious to strike a formula which will attract other coal mining joint ventures, helping to solve China's energy shortage.

The banking source said the guarantee for the loan is expected to be provided by shareholders of the Antaibao project and Chinese authorised guarantors.

A large proportion of the output will be exported to generate foreign exchange earnings and part will be used domestically. The percentage planned for export is not known, but some sources put it at about 65 percent.

Exact details of how the coal will be marketed have also not been disclosed, although it is understood the China National Import and Export Corp. has agreed to export the joint venture's output.

Some sources said Occidental has succeeded in reaching agreement with China that would be paid in hard currency even if China fails to find a market for the coal.

Bank sources involved in the loan negotiations agreed there is a "protection" clause included in the joint venture contract to minimise market risks for the foreign investor.

The sources added that coal exported from the Antaibao project will be competing with several world suppliers for markets, notably the Japanese market. The competitors include the United States, Australia, and South Africa.

The banking sources said falling coal prices pose the biggest risk to the project. These hit U.S. $60 a ton some years ago but have dropped to about $39 a ton today.

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CSO: 4020/176

FOREIGN TRADE AND INVESTMENT

U.S. FIRM TO EXPAND SHANGHAI EXHIBITION CENTER

OW091647 Beijing XINHUA in English 1629 GMT 9 Jan 86

[Text] Shanghai, January 9 (XINHUA)--An ambitious plan is under way to expand the Shanghai exhibition center into one of the largest in the world, according to an official of the center.

The official told XINHUA that Shanghai has signed a contract with John Portman and Associates Inc., U.S.A., to jointly undertake the expansion project.

The project includes an addition of a group of buildings totalling 180,000 square meters in floor space, including a 50-story and 700-room hotel, two 30-story apartment buildings, exhibition halls, stores, a 1,000-seat theater, and an underground parking lot.

Construction of the buildings will begin in the first quarter of this year and be completed by 1988.

The Russian style exhibition center now has 42 exhibition halls covering a floor space of 62,000 square meters.

Since its opening in 1955, the exhibition center has held more than 400 exhibitions from over 20 countries and regions. It has also displayed achievements in Shanghai's industry since 1959.

A new 700-seat restaurant opened in the exhibition center today in a bid to diversify its services. The restaurant is jointly managed by the Shanghai exhibition center and the Hong Kong China Tourism Investment and Development Co. Ltd.

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CSO: 4020/174

FOREIGN TRADE AND INVESTMENT

BRIEFS

HEILONGJIANG EXPANDS TRADE--Harbin, 19 Dec (XINHUA)--Trade between Heilongjiang Province and the Soviet Union and Eastern European countries in 1986 will be 2.7 times the 1985 figure, according to the Provincial Foreign Trade Department. Bilateral trade will soar to 80 million Swiss francs next year from 30 million francs this year, a department official said here. The province resumed its border trade with the Soviet Union 2 years ago. It established trade ties with Poland, Czechoslovakia, the German Democratic Republic, Romania, Hungary, and Yugoslavia this year. It now exports to these countries pork, canned food, thermos bottles, clothing, soybeans, maize, and animal fodder, while importing timber, cement, chemical fertilizers, glass, cars, motorcycles, refrigerators, and equipment. [Text] [Beijing XINHUA in English 1458 GMT 19 Dec 85] /9599

JIANGSU ECONOMIC, TRADE FAIR--Nanjing, 10 Jan (XINHUA)--Jiangsu Province has scheduled its first foreign economic and trade fair in March in its capital city of Nanjing, provincial Vice Governor Zhang Xuwu announced today. Zhang, who is also director of the fair, said the March 1-12 event was designed to promote foreign trade, attract foreign investment, and develop joint economic and technical projects with foreigners. Over 1,000 people from overseas will be invited to the fair, sponsored by the Jiangsu Provincial Foreign Economic Relations and Trade Commission, according to Zhang. Samples of the province's exports will be displayed at the fair, Zhang said. [Text] [Beijing XINHUA in English 1446 GMT 10 Jan 86] /9599

RECORD HIGH COAL EXPORTS--Beijing, 14 Jan (XINHUA)--China exported 7.567 million tons of coal in 1985, an all-time high, according to today's "PEOPLE"S DAILY." Over half of the exported coal was produced in Shanxi and Hebei Provinces, the country's leading coal producers. Last year, Japan was the largest importer of coal from China, followed next by the Democratic People's Republic of Korea. China produced 847 million tons of coal in 1985. By 1990, the figure is expected to exceed one billion tons. [Text] [Beijing XINHUA in English 0646 GMT 14 Jan 86] /9599

ECONOMIC-TRADE DELEGATION TO IRAQ--Beijing, 17 Dec (XINHUA)--A Chinese economic and trade delegation, led by Minister of Communications Qian Yongchang, left here today for Iraq. The delegation will attend the third meeting of the joint committee for Sino-Iraqi trade and economic and technological cooperation and pay a visit to the country. Afterwards, Minister Qian will visit Madagascar. [Text] [Beijing XINHUA in English 0859 GMT 17 Dec 85] /9599

LIAONING FOREIGN TRADE ACHIEVEMENTS--During the implementation period of the Sixth 5-Year Plan, Liaoning Province has made marked progress in foreign trade. The province's total volume of exports during the period has accounted for the one-fifth the total volume of the country and reached $22.5 billion, an 117 percent increase over the figure of the period of the Fifth 5-Year Plan. The province has increased the number of export companies from 900 in the Fifth 5-Year Plan period to more tha 1,200 in the Sixth 5-Year Plan period. At present, the province has trade relations with more than 130 countries and regions around the world. /Summary/ /Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 3 Jan 86 SK/ 12228

SHANXI DEVELOPS ECONOMIC RELATIONS--During the 6th 5-Year Plan period, Shanxi greatly developed external economic relations and trade. Its accumulative export foreign exchange revenue totaled 417 million, or 8.3 times that of the 5th 5-Year Plan. The annual growth rate of investment was 70.1 percent. Furthermore, exports totalled 284 million. [Summary] [Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 14 Dec 85 HK] /9599

POTTERY, PORCELAIN EXPORTS REGULATIONS--Beijing, 10 Jan (XINHUA)--China will put the "Regulations on Quality Control for Export Pottery and Porcelain" into force as of 1 February. All pottery and porcelain intended for export will be subject to inspection, and only those meeting the requirements stated in trade agreements or export criteria are permitted to be exported. The regulations state that export manufacturers must produce and inspect pottery and porcelain according to trade agreements and export criteria, and that all uninspected products or those failing to pass inspection will not be allowed to leave the factory. The regulations stipulate that export departments must strictly abide by the requirements stated in trade agreements and export criteria in purchasing or exporting pottery and porcelain on behalf of manufacturers, and should accept shipments and make payment when shipments are accompanied by inspection slips. Products failing to pass inspection must not be purchased or exported. [Excerpt] [Beijing XINHUA Domestic Service in Chinese 1448 GMT 10 Jan 86] /9599

SHANXI BOOSTS EXPORTS--The total volume of Shanxi's exports last year was $325 million, a rise of 30 percent over the previous year and a new record. /Summary/ /Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 7 Jan 86 HK/ 12228

CSO: 4006/575

SPECIAL ECONOMIC ZONES

KYODO INTERVIEWS SHENZHEN ECONOMIC ZONE'S MAYOR

OW060043 Tokyo KYODO in English 0007 GMT 6 Jan 86

[Text] Shenzhen, China, Jan 6 (KYODO)--The vice mayor of Shenzhen says he is convinced that the special economic zone project under way in the southern China city will succeed.

Manufacturing is the key to development of the city, Vice Mayor Zhen Xipei said in a recent interview with KYODO news service.

The city's service, commerce, and real estate sectors have grown out of balance since the economic development project started as part of China's economic modernization in 1980, according to city officials.

City and government officials met here last month to discuss special economic zones in four coastal cities.

The project is regarded as a major test of the open economic policy pushed by Communist Party elder Deng Xiaoping and other party and government leaders.

Deng said last year that the Shenzhen is an experiment and errors, if committed, can be corrected.

The vice mayor, confident of the future of the project, said, "We have spent 5 years in laying the foundation. In view of what we have accomplished, I'm certain we will succeed."

He said the economic development project has received 1.1 billion dollars in foreign investment in the past 5 years, but that "We are not satisfied with the amount of investment."

He said that China will ask Japan, in addition to Hong Kong and European countries, for loans and investment.

Zhen also said foreign rather than domestic money is to play a more important role in building the economic zone in the city.

Shenzhen has a population of 400,000 but almost half are temporary residents who have moved from other parts of the country as construction workers and engineers.

Another 150,000, including 30,000 from Hong Kong, go in and out of the city every day, according to the vice mayor.

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CSO: 4020/174

SHENZHEN SEEKS FORMULA TO CONVERT FOREIGN EXCHANGE

HK180704 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 18 Dec 85 p 5

[Article by Paul Sham]

[Text] The Shenzhen special economic zone is seeking a formula to make currencies in the city "completely and freely convertible" a senior municipal government official said yesterday.

The official, Mr Zou Erkang, told reporters at the opening ceremony of the city's representative office in Hong Kong that the formula is vital to Shenzhen's industrial growth.

He said the proposal to issue the city's own currency, which was mooted 2 years ago and heavily criticised by some Chinese officials is one of many being considered.

The foreign exchange centre, which is in the experimental stage, is just a temporary measure to reduce pressure from business enterprises which want the yuan to be more convertible with foreign currencies and vice-versa, Mr Zou said.

Many enterprises in Shenzhen have complained the stiff foreign exchange ruling has hampered the efficient use of their money and booted activities of the black market.

Mr Zou said the visit to Shenzhen earlier this month of Chen Muhua, the president of the People's Bank of China, was a fact-finding trip aimed at devising the foreign exchange formula and improving the city's banking system.

The issue will be discussed in detail in Beijing, he said.

Bank reform is vital to the city's industrial development as it is closely related to the level of investment and trade, Mr Zou said. The old system cannot meet the needs of the fast mobility of capital, he added.

Mr Zou also said Shenzhen will follow Xiamen's move in setting up a joint venture bank.

The Bank of China, Shenzhen branch, will be the local partner.

Mr Zou said a joint venture bank is necessary as it combines foreign banking expertise with Chinese banking officials' familiarity of the local environment.

As a boost to the city's industrial development, Mr Zou said, 18 industrial ministries under the State Council will set up production plants in Shenzhen.

They include industries involved in mechanics, electronics, armoury, textiles, nuclear, light industry, aerospace, chemical, metallurgical, car, shipbuilding, food, construction materials, and packaging.

Mr Zou said the ministries will move their export-bound production to Shenzhen, while their home bases will manufacture products for local consumption.

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CSO: 4020/174

SHENZHEN REPORTS 20 PERCENT DROP IN PROPERTY PRICES

HK230408 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 23 Dec 85 p 1

[Article by Paul Sham]

[Text] Property prices in Shenzhen have fallen about 20 percent compared with last year due to slow economic growth in the city, according to sources close to Shenzhen authorities.

They said the Shenzhen government is working on a new land price structure which is expected to be announced early next year.

The sources said as a result of the central government's policy of checking the pace of economic development throughout the country in April, Shenzhen has seen dwindling numbers of foreign investors and traders, resulting in diminishing need for factory sites, hotels, and offices.

A Hong Kong land surveyor, who is active in the China real estate market, told BUSINESS NEWS his company has not done any business in Shenzhen in the past 6 months.

"So long as the government maintains a tight grip on foreign exchange spending, demand for land and property will go down along with the number of new investments in the city," he said.

The surveyor said there is an oversupply of office buildings in Shenzhen.

These buildings, he said, were planned with the estimation the city would be able to sustain the economic growth it had registered last year.

"The bubble has burst now," he said, adding many construction projects have been slowed down or delayed.

One source said because of the property glut, Shenzhen's two famous buildings--International Trading Centre and International Commercial Building--have suffered from low occupancy rates.

Only some floors of the 53-storey International Trading Centre, completed recently, have been let so far.

The source said the International Commercial Building had to turn one of its two blocks into a hotel to fill the vacant space.

The 19-storey Commercial Building was completed in 1982.

The source said even the building's other block is not fully let.

According to a building materials supplier, demand is low even for the city's residential space.

He said the central government's ruling in May last year forbidding home buyers' relatives from other cities in China to move to Shenzhen has kept demand for domestic units down.

Previously, Hong Kong residents could buy flats in Shenzhen and invite their relatives to live in them.

As moving household registration in China is difficult, this practice of purchasing flats was widely used by Hong Kong residents keen to have their relatives move to better off cities like Shenzhen.

However, Mr Lou Jinxing, manager of the Shenzhen Special Economic Zone Real Estate and Properties Co., said demand for land and property in the city is stable.

"The land and apartment prices are the same as last year," he said.

Mr Lou's company is one of the major property firms in Shenzhen.

He said in the past five years his company has developed sites totalling 600,000 sq m and sold or let almost all the buildings.

Mr Lou said the building mix included commercial space, residential flats, hotels, and office towers, production plants, warehouses, and car parks.

He said due to the expected economic growth in the zone, the emphasis next year will be on office buildings.

Three office buildings with a total floor area of 500,000 sq m will be completed next year to meet the expected demand, he said.

However, Mr Lou said the company's investment next year will remain at the same level as this year--400 million.

/9599
CSO: 4020/176

SPECIAL ECONOMIC ZONES

HAINAN COMPANY IN SHENZHEN TURNS LOSSES TO PROFITS

HK110529 Haikou Hainan Island Service in Mandarin 0400 GMT 8 Jan 86

[Text] The (Haipeng) agriculture-industry-commerce joint company, a Hainan company in Shenzhen, has strengthened business management, instituted the economic responsibility contract system, and actively developed the service industry. As a result, it turned losses into profits in 1985.

The (Haipeng) company is the region's sole enterprise in Shenzhen City. The company, set up in October 1982, now employs 360 staff and workers. The company mainly engages in the breeding industry and also in commerce and service industry. Shortly after its establishment, due to poor business management, staff and workers ate out of the same big pot. It made little profit in commerce and suffered losses in the breeding industry. The company loss some 1.24 million yuan in the 2 years after its establishment and was unable to pay wages to its staff and workers. It was thus on the brink of bankruptcy.

The company was taken over by the Hainan agricultural Reclamation Bureau in 1984. The new leading group summed up experiences and drew lessons from the past. It treated perfecting the economic responsibility contract system and raising economic efficiency as the central link for saving the enterprise. It closed three breeding farms which suffered losses for a long time and had no future prospects, and instituted in an all-round way the contract system on a household basis in other breeding farms. Some 72 household farms were set up. The staff and workers have a strong sense of being their own masters. In 1985, the company overfulfilled all the annual targets for the quantity of products, output value, and profits. In addition, the eight shops affiliated to the company invited tenders to contract for them. As a result, they greatly proved their economic efficiency and their net profits for 1985 increased by more than 300 percent over 1984. The company also built the 8-storey Precious Island Hotel, resettled the staff and workers of the units closed, and increased its income.

/9599
CSO: 4006/583

SPECIAL ECONOMIC ZONES

SECOND FRENCH BANK ALLOWED TO OPEN BRANCH IN SHENZHEN

HK200711 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 20 Dec 85 p 9

[Article by Olivia Sin]

[Text] Chinese authorities have granted French bank Societe Generale a license to operate branch activities in the Shenzhen special economic zone.

It is the fifth region and the second French bank after Banque Indosuez was allowed to open a branch in the zone.

Observers said the good political relationship between China and France and the willingness of French firms to sell high technology to China are the underlying reasons why more French banks are allowed to operate in Shenzhen.

It is also believed a third French bank may obtain a branch license to operate in the zone next year. This is widely tipped to be Banque Nationale de Paris.

Apart from Banque Indosuez, three other banks which have set up branches in Shenzhen are the Hong Kong and Shanghai Bank, the Bank of Credit and Commerce International, and Standard Chartered Bank.

Societe Generale's deputy general manager (HK) Alain Simon said the bank was notified of the approval to upgrade its Shenzhen office into full branch status on Wednesday.

He said the Shenzhen branch will be operational by February. It will strenghten the banks' presence in China in addition to its offices in Beijing, Shanghai, and Guangzhou.

Mr Simon, who will also be the general manager of the bank's Shenzhen branch, said he expected the bank to play a significant role in financing the Daya Bay nuclear power plant.

A breakthrough in the protracted sales negotiation of the power plant came at the weekend when France and China agreed to sign a contract for the construction of the plant.

Mr Simon said a final contract between French nuclear firm Framatome and China is expected to be signed in March.

"Financial arrangement on the Daya Bay plant is still being worked out," he said.

Switching to Societe Generale's other projects in China, Mr Simon said the bank is arranging a syndicated loan of U.S $35 million for the building of a Shanghai hotel.

The bank is the lead manager of the syndication which will involve about six other foreign banks.

The bank has also lead managed a 275 million francs (HK $275 million) syndication to finance the purchase of advanced mining equipment for a Shandong mine.

Mr Simon agreed that the scope of business in Shenzhen is limited, but is confident there will be more opportunities in the future.

He said things are moving rapidly in China and there are chances that other provinces may allow the setting up of foreign bank branches.

Societe Generale, with vast experience in leasing activities, has formed a joint venture leasing company with the Bank of China and Bank of East Asia.

The joint venture, Trilease International, has been active on the China market promoting leasing as a means to import equipment and technology into the country.

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CSO: 4020/176

SPECIAL ECONOMIC ZONES

PRC'S FIRST LASER AUDIOVISUAL DISC SYSTEM FACTORY

HK070757 Hong Kong HONG KONG STANDARD (BUSINESS STANDARD Supplement) in English 7 Jan 86 p 1

[Text] A laser audio-visual disc system factory will be set up in Shenzhen early this year with an investment of more than $156 million.

The project, the first of its kind in China, will be partly financed by a club loan signed yesterday between the Shenzhen International Trust and Investment Corp. and three financial institutions: CCIC Finance, Nederlandsche Middenstandsbank NV, and Banque Nationale de Paris, which is also acting as agent.

The credit facility totalling U.S. $17.7 million or its equivalent in Dutch guilders, will be granted in two tranches over a period of 5 and 1/2 years.

The first tranche, to be made in the form of a letter of credit, will be used to finance the importation of equipment from Philips of the Netherlands.

The balance will serve as a working capital advance.

The factory will be operated by Shenzhen A.S.T. Baser Video Co.

It will initially assemble, and eventually manufacture, audio-visual disc systems mainly for domestic consumption, and also for export.

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CSO: 4020/176

SPECIAL ECONOMIC ZONES

HONGQI CARRIES ARTICLE ON SHENZHEN

HK010836 Beijing ZHONGGUO XINWEN SHE in Chinese 1638 GMT 31 Dec 85

/Article: "Li Hao Says Development of the Shenzhen Special Zone Has Entered a New Stage"/

/Text/ Beijing, 31 Dec (ZHONGGUO XINWEN SHE)--In his article carried by HONGQI No 1 of 1986 to be published tomorrow, Li Hao, mayor of Shenzhen City, says that after more than 5 years' construction, the Shenzhen Special Zone has entered a new stage of development.

Li Hao holds that it was correct and essential for the Shenzhen Special Economic Zone to stress the development of tertiary industry, including commerce, tourism, and real estate, during the initial period of its construction. At the same time, he emphasizes in his article, the Shenzhen Special Zone at present should appropriately stress both the development of industries oriented toward the outside world and the establishment of a reasonable setup of production. This is a strategic problem of utter importance to the construction of the Shenzhen Special Zone.

Li Hao points out: In developing the industries oriented toward the outside world, the Shenzhen Special Zone should presently stress the adoption of advanced technologies suitable for the special zone. At the same time, it should raise the levels of handicrafts and management to produce large quantities of goods with competitive prices on the world market.

Li Hao was elected mayor of Shenzhen City in August last year. In his article, he affirms the speed of Shenzhen's development in the past 5 years. He holds that "for a period of time to come, it is essential and beneficial for the Shenzhen Special Zone to strive to consolidate its achievements and improve its work while maintaining a pace of development higher than that in the interior." At present, it is first necessary to arrange well the scale and the growth rate of investment in fixed assets and to do what the special zone is capable of doing. Second, it is necessary to properly control foreign exchange and renminbi credits. Third, efforts should be made in many ways to control and supervise the economic operations of the special zone.

In his article, Li Hao points out: The Shenzhen Special Zone should comply with the state's unified policy while adhering to the special policy for special zones. He says: China's policy of opening to the outside world will not change. Neither will its policy of establishing the special economic zones change. China can only open its door wider and wider.

/12228
CSO: 4006/575

SPECIAL ECONOMIC ZONES

XIAMEN EXPANDS LABOR SERVICE COOPERATION ABROAD

HK110806 Beijing ZHONGGUO XINWEN SHE in Chinese 0130 GMT 8 Jan 86

/Repprt: "Xiamen makes Rapid Progress in Labor Cooperation with Foreign Countries"/

/Text/ Xiamen, 8 Jan (ZHONGGUO XINWEN SHE)--The business of the Xiamen International Economic and Technological Cooperation Co. in labor cooperation with foreign countries has developed rapidly. Last year, the company sent more than 500 people to work abroad, an increase of more than 100 percent over 1984. Volume of business and foreign exchange net income also increased by 135 and 133 percent, respectively.

At the time when the worldwide shipping business is depressed and the competition in labor market is sharp, the Xiamen International Economic and Technological Cooperation Co. has attached great importance to the professional and technological quality of its personnel sent abroad. The company gave special short-term training to the seamen so that they could skillfully master the techniques, bear hardship, observe discipline, and do a good job of cooperation after they go on board the ships. These seamen are now welcomed by shipowners abroad. Last year, 90 Xiamen seamen were employed by the Wo Heng Co. of the Hong Kong Worldwide Shipping Agency Ltd. Commencing from April last year, the captain and sailors, except a telegraph operator, of the ship "Guangzhou" of the Hong Kong Kin Hing Shipping and Enterprises Co. Ltd. were all seamen employed from Xiamen. So far, 64 Xiamen seamen have held posts at and above "third mate" level in foreign ships and more than 20 seamen have been promoted to the posts of sailors or assist sailors.

In order to meet the needs of the international market, since the latter half of last year, the Xiamen International Economic and Technological Cooperation Co. has expanded its range of business from labor cooperation in providing only seamen to providing for the building trade, providing domestic helpers, and training postgraduates. It has sent another 260 people to work abroad.

/12228
CSO: 4006/575

SPECIAL ECONOMIC ZONES

SPECIAL ECONOMIC ZONES TO BOOST EXPORTS

OW061917 Beijing XINHUA in English 1458 GMT 6 Jan 86

[Text] Shenzhen, January 6 (XINHUA)--China's four special economic zones will concentrate on developing exports in the next 5 years, a national meeting which ended here Sunday was told.

The four zones--Shenzhen, Zhuhai, Shantou, and Xiamen--which have been established since 1980 as part of China's effort to attract foreign investment, have so far devoted most efforts to building roads, railways, and other infrastructure.

They have been aided by foreign funds and technology and have received co-operation from other parts of China.

As a result, they have created an attractive investment environment, the meeting on the development of the special zones was told.

The meeting urged the zones to continue developing infrastructure, especially energy, transport, and telecommunications, in the 7th 5-Year Plan (1986-1990).

It also called on the zones to tighten up economic legislation and to train more skilled workers.

State Councillor Gu Mu said the zones should pay great attention to improving quality and efficiency in developing an export-oriented economy.

The four special zones have so far used more than one billion U.S. dollars in foreign funds through joint ventures, co-operative ventures, compensation trade, and other forms of co-operation.

Since 1980, the zones have invested 7.63 billion yuan in capital construction, and passed 10 economic regulations.

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CSO: 4020/176

SPECIAL ECONOMIC ZONES

BRIEFS

INDUSTRIAL TOWN'S DEVELOPMENT--Nantou Peninsula, a part of the Shenzhen Special Economic Zone facing Hong Kong's Lau Fau Shan across Hau Hoi Wan (Deep Bay), is expected to be converted into an important satellite and industrial town in 5 years time. Some of the major projects being undertaken are a colour TV manufacturing plant, a deep water berth good enough for 50,000-ton container vessels and oil tankers, a thermal power plant, refinery, railroads, and highways. This was disclosed yesterday by the general manager and deputy managing director, Mr Zhou Kuan, of the Nanhai Oil Shenzhen Development and Service Corp. (NOMDSC) which is said to have been authorised to undertake the development projects. [Excerpt] [Hong Kong HONG KONG STANDARD (BUSINESS STANDARD Supplement) in English 20 Dec 85 p 1] /9599

SHENZHEN ELECTRONICS GROUP INAUGURATED--Shenzhen, 7 Jan (XINHUA)--China's first government-owned electronics corporate group is now in operation in Shenzhen, Guangdong Province, which borders on Hong Kong. The Shenzhen Electronics Group, which operates under the Ministry of Electronics Industry, has 117 members at home and abroad. These include 31 in Hong Kong. Overseas members are in Japan, Canada and other countries. The group will combine research with development, manufacturing, marketing, maintenance and trade, according to general manager Ma Fuyuan at an inauguration ceremony yesterday. State Councillor Gu Mu presided over the ceremony. Also present was Xu Jiatun, director of the Hong Kong branch of XINHUA News Agency. The group plans to produce 1.6 billion yuan worth of goods this year, Ma said. /Text/ /Beijing XINHUA in English 1219 GMT 7 Jan 86 OW/ 12228

CSO: 4020/175

LABOR AND WAGES

EMPLOYMENT PROBLEMS OF YOUNG WOMEN DISCUSSED

Hefei ANHUI RIBAO in Chinese 9 Aug 85 p 2

[Article by Deng Zemin [6772 3419 3046], head of the provincial labor bureau: "Pay Attention to Solving the Employment Problems of Young Women"]

[Text] Since the 3d Plenum of the 11th CPC Central Committee, Anhui has arranged for the employment of 1.2 million urban young people and unemployed people. This has played an important role in developing the social productive forces, improving living standards, promoting stability and unity in society and propelling the progress of the four modernizations. However, there are still many weak links in our work involving employment. In particular, the difficulties young women face in finding employment must be studied and resolved without delay, or it will become a serious social problem.

In solving this problem, we have adopted the following approaches:

1. We have regarded the system of collective ownership as the primary avenue to resolving employment problems among young people, many of whom are young women. In Anhui's 7-year plan for the 1984-1990 period, we will be able to arrange for the employment of roughly 20 percent of the 1 million urban youth in state-owned units. The remaining 80 percent will be employed by units under the system of collective ownership or become self-employed. Thus, the provincial party committee and the provincial people's government have designated the development of the system of collective ownership and individual enterprise as the primary avenues for the placement of young people. In 1984, 76.5 percent of the 141,000 newly-placed persons throughout the province were placed as a result of the development of collective and individual enterprise, while 23.5 percent were recruited by state-owned enterprises. Among the newly-placed personnel in the collective and individual sector, women constituted 55 percent. Currently, the newly-run collective enterprises which give priority to placing young women are scattered throughout the province. The development of the collective sector has become a primary method for resolving the problem of employment for young women.

2. We have vigorously developed production and service undertakings which are appropriate for young women. First is the garment industry. For instance, the Fuyang City People's Garment Factory currently employs 987 staff members and

workers, 720 of whom are young women. Second is the textile knitting industry. For instance, the Zhenhua Knitting Factory in Hefei City presently has 312 staff members and workers, 221 of whom are young women. Third is the food industry. For instance, the Zhongyuan Canned Food Co, Ltd in Shouxian County currently employs 250 staff members and workers, 190 of whom are young women. Fourth is the electronics industry. The No 2 branch factory of the Hefei Municipal Television General Plant presently has 406 staff members and workers, 250 of whom are young women. Fifth is the plastics industry. For instance, the Shouxian County Plastics Plant presently has 243 staff members and workers, 174 of whom are young women. Sixth is commerce. For instance, the Fuyang Municipal Department Store presently has 231 staff members and workers, 198 of whom are young women. The small shopping mall in Hefei City currently employs 92 staff members and workers, 74 of whom are young women. Seventh is the catering and service trades. For instance, the Xinhua, Qiyuan, Changqing and Renmin hotels and the Jiaotong Restaurant in Chengguan Township in Mengcheng County presently have 116 staff members and workers, 86 of whom are young and middle-aged women, 75 percent of the total. In addition, the various places have also set up many different types of tertiary industries, which employ large numbers of young women.

3. We have vigorously strengthened technical and career training for young women. In accordance with the regulation in the Constitution which states that "the state should conduct the necessary labor employment training for its citizens prior to their employment" and Premier Zhao Ziyang's demand in the "Government Work Report" at the Second Session of the Sixth NPC, we must vigorously carry out career and technical training and create the conditions for the employment of young women. More than 900 career and technical training classes were held throughout the province in 1984, attended by 41,000 unemployed young people, one-third of whom were young women. Various places have organized large numbers of popular career and technical training programs, primarily in tailoring, bookkeeping, kindergarten teaching, typing, cooking, household electrical appliance and machine repair, and arts and handicrafts. Many young women have thus been recruited, which has enabled them to master a skill, while it has trained skilled personnel for an economy under the system of diverse ownership. While emphasizing short-term career and technical training, various places have paid attention to thoroughly reforming the secondary education structure and have worked hard to operate vocational secondary schools well. Attention has been paid to enrolling young women. By the end of 1984, 199 vocational secondary schools (classes) have been set up throughout the province. Of the 19,336 students in the schools, 4,615 were women, 24 percent of the total.

4. In student enrollment and worker recruitment, we have persevered in equal treatment of young men and women. The provincial labor department often reminds its comrades at various levels to fully understand the important role of women in the four modernizations and avoid belittling or discriminating against women in student enrollment and worker recruitment. The provincial labor department also clearly states that we must recruit young women for work that they are capable of performing. To guarantee compliance, we have issued specific enrollment requirements for the school of technicians this year concerning the ratio of mandatory enrollment of young women in various professions. For such professions as textile machine operation, knitting,

weaving and garment processing, the enrollment of women students must not be lower than 80 percent. For 24 professions, including electronic and electrical appliances, machinery processing, food processing, inorganic chemical industry, and plastics, the proportion must not be lower than 50 percent. In some heavy industrial sectors, there are also some jobs which are appropriate for young women. Thus a fixed ratio of women students should also be present. Thus women students will constitute nearly one half of the 10,700 students that the technical schools throughout the province plan to enroll this year, 10 percent and 20 percent higher than 1984 and 1983, respectively. As of 1984, in worker recruitment, we shall change the principle of "recruiting as many young women as possible" for the jobs which they can do to "recruiting young women as a must." While transmitting the plan for worker recruitment to lower levels, we shall specify the ratio between men and women.

9335
CSO: 4006/897

ENVOY TO UNITED STATES URGES IMPROVING TRADE RELATIONS

OW080527 Taipei CNA in English 0249 GMT 8 Jan 86

/Text/ Taipei, 7 Jan (CNA)--If the Republic of China /ROC/ wishes to enhance its economic relations with the United States, it should improve its current trade system, continue to promote its "buy-American" policy and introduce into this nation more U.S. high technologies and sophisticated machinery, a ranking official with the Coordination Council for North American Affairs /CCNAA/, said Tuesday.

Fredrick F. Chien, representative of the CCNAA office in Washington, said he believes the ROC-U.S. economic relations will improve if this nation makes more efforts to balance its trade with the United States.

Reporting on the current ROC-U.S. relations at a meeting of the Control Yuan's Committee on Foreign Affairs, Chien said the nation's trade volume with the United States has increased three times since the formal ties between the two nations were suspended 7 years ago. The large trade surplus in favor of the ROC is one of the reasons for the intensified call for trade protectionism in the United States, he said.

To cope with this situation, Chien urged the nation to accelerate the pace of its trade reforms, and continue to walk toward the goals of economic liberalization, internationalization and systematization.

Last year, the U.S. Government announced twice that it would take proper actions to deal with some countries that have violated its foreign trade bill. The ROC was not included on either of the two lists published by the United States, and this indicates that the United States is very optimistic about the future of its trade relations with this nation, Chien said.

On the ROC's membership in the Asian Development Bank, Chien said the U.S. support for the ROC's membership in the Manila-based bank has increased significantly as compared with 3 years ago.

One of the examples of its support is the U.S. Congressional statement that it will approve U.S. financial aids to the bank on the condition that the ROC retains its full membership, he said.

Referring to U.S. arms sales to the ROC, Chien said this nation has incessantly explained to the United States that it needs high-performance weapons to defend itself. So far, the United States has not promised to sell F-20 fighters to this nation probably because the formal production of this aircraft has not begun, he said.

/12228
CSO: 4020/178

TAIWAN

BRIEFS

PROMOTION OF U.S. PRODUCTS--Taipei, 7 Jan (CNA)--Vice Economics Minister Li Mo told six visiting U.S. Congressmen Tuesday that the United States should enhance its promotional activities for American agricultural and industrial products in the Republic of China /ROC/ while the latter is trying its best to narrow the huge trade imbalance between the two nations. The U.S. Congressmen, headed by Edward R. Madigan, R-Illinois, and Charlie Rose, D-North Carolina, called at the Ministry of Economics Affairs and exchanged views with Li Mo on ROC-U.S. trade issues. Li said the American dignitaries told him that the U.S. Congress has been very much concerned about the U.S. trade deficits with the Republic of China and hopes that the ROC will further lower its import tariff rates and increase the purchasing amount and volume of American products, in an effort to narrow the trade imbalance. The vice minister then told the congressmen that in fact, the ROC Government has taken various measures, including the gradual lowering of import tariffs and sending 11 "buy American" missions, to redress the trade imbalance. He told local reporters after the meeting that he has also reminded the visitors that narrowing the trade imbalance cannot be accomplished unilaterally by this country. The United States should also strengthen its promotional activities here so as to effectively solve the problem. /Text/ /Taipei CNA in English 0309 GMT 8 Jan 86 OW/ 12228

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END

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China Report

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PAPERS DISCUSS CORRECTION OF OFFICIAL MALPRACTICE, PROFITEERING

HK080746 Beijing ZHONGGUO XINWEN SHE in Chinese 0335 GMT 8 Jan 86

[Report: "Unsound Practice of Pursuing Personal Interests by Taking Advantage of One's Power of Position Must be Checked Says JINGJI RIBAO"]

[Text] Beijing, 8 Jan (ZHONGGUO XINWEN SHE)--Today's JINGJI RIBAO says: The unhealthy practice of some leading departments in the economic field such as blackmail and the pursuing of one's personal interests by exploiting one's power of office should be conscientiously investigated and handled.

The CPC regards correcting party style as an important task at present. It is said that the General Offices of the CPC Central Committee and the State Council have recently issued a circular, listing the following serious unhealthy practices in our party and government organs: Vying with one another to purchase and change cars; indiscriminately sending personnel abroad; squandering public money by touring various areas; committing extravagance and waste; giving gifts and banquets; earning illicit income other than wages and collective benefits; exploiting the power and advantages of one's office to do business in violation of the regulations and earn profits; and so on.

Today's JINGJI RIBAO further points out: There are also some cadres, including leading cadres, who have exploited their power of office to extort money, give and take bribes, establish relations, conduct under-the-counter transactions and thus have created a bad impression among the masses of people.

The newspaper holds that unhealthy party style has not only shielded the unhealthy practices in society, but has also colluded to take advantage of loopholes in the reform, corrupt the reputation of reform, and harm the interests of the state and people. Those whose offenses are serious and who have violated the law of the state must be punished legally.

According to a report in today's JIEFANGJUN BAO, the General Staff Headquarters, the General Political Department, and the General Logistics Department have recently issued a joint circular forbidding imports of cars, high-grade jeeps or stations wagons by any unit in the whole PLA unless special permission is given. The vehicles that have been purchased (including those that have been received as gifts), replaced, and allocated since 1984, should be conscientiously looked upon.

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OFFICIAL ON ENTERPRISE, CADRE MANAGEMENT

OW200108 Beijing XINHUA Domestic Service in Chinese 1330 GMT 16 Jan 86

[Article by reporter Wang Tianduo of the RENMIN RIBAO and reporter Huang Fengchu of XINHUA]

[Excerpts] Beijing, 16 Jan (XINHUA)--Wei Jianxing, head of the Organization Department of the CPC Central Committee, pointed out at the national meeting on economic work today that we should adopt a stable and sound policy to raise the quality of our work and further strengthen the building of leading groups for large and medium-sized backbone enterprises.

In his speech, Wei Jianxing reviewed the readjustment of leading cadres for large and medium-sized backbone enterprises since 1982. He said: Through readjustment, a significant change has taken place in the quality of enterprises' leading groups. Cadres around 40 years old have become the main body of leading groups and the ages of all cadres are in an echelon formation. About 74 percent of members of leading groups of large and medium-sized backbone enterprises have received education at and above college level. The average number of leading members of each large or medium-sized backbone enterprise is 6.3 people or one-third less than in the period before the readjustment.

He said: At present, we should pay attention to the following work: First, we must effectively strengthen the ideological building of new leading groups and improve their workstyle. They should seriously study the basic theory of Marxism-Leninism and the party's principles and policies, adhere to the fundamental goal of serving the people wholeheartedly, keep to the system of democratic centralism, and foster a solid and practical working attitude and an effective workstyle.

We should establish a regular replacement system for cadres in order to constantly maintain the vigor and liveliness of leading groups of various enterprises. The age of leading members of various enterprises generally must not exceed 55 years old. However, the age limit for cadres of certain specialized departments may be more liberal. Cadres around 40 years old should constitute the main body of leading group of various enterprises.

In the course of reform, we should gradually improve various enterprises' leading system and work order. In order to adapt cadre work to the new situation in which the plant director assumes full responsibility, we must make some appropriate changes in cadres' work system, management methods, and appointments and dismissals to ensure the implementation of the system of having plant directors assume full responsibility. However, we must firmly adhere to the following things regardless of the change of cadre system: First, we must persist in the principle that cadres are to be governed by the party and that decisions on cadre matters must not be made by a single person. Second, cadres in charge of administrative work and cadres in charge of party and mass work are all party cadres. They all belong to a single entity. All cadres must be governed and deployed by party organizations in a unified manner. Third, we should follow the mass line in selecting and promoting cadres. We should carry out the system of democratic recommendation, soliciting opinions from the masses, and asking the masses to evaluate cadres. We should rely on the masses in selecting and promoting cadres and in judging and supervising cadres.

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PRC GRADUALLY DEVELOPING ECONOMIC LAW SYSTEM

OW181413 Beijing XINHUA Domestic Service in Chinese 1218 GMT 16 Jan 86

[Text] Beijing, 16 Jan (XINHUA)--China is gradually developing a system of economic laws and regulations, which has become an important measure for the state to lead, organize, and manage the economy.

It has been learned that in the past 6 years, the NPC and the State Council have promulgated 320 important economic laws and economic administrative regulations. At the same time, relevant departments also worked out more than 400 economic regulations in accordance with the state laws, principles, and policies.

At present, our country sets great store by managing the economy in accordance with laws and an economic judicial system is beginning to take shape. Now the nation signs 400 million economic contracts every year. To promptly solve all kinds of economic disputes, people's courts at the provincial, municipal, and autonomous prefectural levels all set up economic tribunals, which have tried and concluded hundreds upon thousands of economic cases. The State Administration for Industry and Commerce has heard hundreds upon hundreds of economic disputes, the majority of them have been concluded through mediation or arbitration. Some 31,000 enterprises and institutions have hired lawyers or designated specialized personnel as legal advisors; these people have handled some 88,000 legal affairs items. According to statistics for the period between January and September 1985, lawyers retrived or averted economic losses totaling 1.3 billion yuan for the state and enterprises through their activities as representatives in lawsuits and civil cases. Through their activities, they protected the state's and enterprises' legitimate interests, stabilized the social and economic order, and helped economic administrative departments at all levels to free themselves from the tremendous load of administrative work.

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NATIONAL POLICY AND ISSUES

JOURNAL OUTLINES ECONOMIC SYSTEM MODEL

HK010550 Beijing JINGYI YANJIU in Chinese No 11, 20 Nov 85 pp 46-51

[Article by Wang Zhuo [3749 3820] of the Economic System Reform Office of the Guangdong Provincial People's Government: "Outline of a Model for the Chinese Economic System"]

[Text] [Editor's note] We plan to open up a debate in this magazine on the subject of models and general plans for the economic reform. Here we are publishing an article by Comrade Wang Zhuo, and would welcome discussion on it. [End editor's note]

The economic system reform we are currently involved in China consists of a process of reforming the old and establishing the new, and of substituting a new for an old model. The economic system reform is a creative, conscious activity with extremely broad scope and implications, and it is necessary to have an overall program to guide this sort of conscious reform.

The model for China's economic system reform is made up of two basic components: First, the mechanism for economic movement, that is, the creation of a new mechanism for the movement of the commodity economy, second, the mechanism for regulation of the macroeconomy, that is, the creation of a macroeconomic regulation mechanism for the new commodity economy. A difficult task is how to unite organically the movement mechanism and the macroeconomic regulation mechanism, forming a model for the Chinese economic in which the commodity and planned economics are relatively united on the basis of the socialist system of public ownership.

The Creation of a New Commodity Economy Movement Mechansim

The creation of a mechanism for the movement of the new commodity economy and the reform of the mechanism for the movement of the old product economy is the first task in the creation of Chinese economic system model.

I. What was the mechansim for the movement of the old product economy?

According to my research, the administrative mechanism was the mechanism for the movement of the products economy. The basic hallmark of the movement of the product economy which we adopted from abroad was the use of the administrative mechanism to control the movement of the product economy. Therefore, the mechanism for the movement of the product economy consisted of a monopolistic, closed, vertical-type model which eliminated the market mechanism. It's major problems were as follows: It suppressed enterprise motivation, vitality and strength; it was bound to lead to the slow introduction of technology and low economic results in enterprises; and it often led to dislocation and stagnation due to mistaken administrative policies or inappropriate administrative measures. In the rural and urban economic system reforms introduced over the past 5 years and more in China, the main aim of some of the reform measures under the general guiding principle of "enlivening the economy" and "opening up to the domestic and foreign markets" was to reform the old model of a product economy movement mechanism, and the creation of a new commodity economy movement mechanism.

II. What is the new commodity economy movement mechanism?

According to my research, there are two essentially different commodity economies, and therefore two different models of movement mechanism. The model for the capitalist commodity movement mechanism has already been formed, and we will not discuss it here. What we have to explore is the mechanism for the movement of a socialist commodity economy. According to my research, a socialist commodity economy movement mechanism consists of the market mechanism under effective macroeconomic control. Its basic hallmark is economic movement through regulation by the market mechanism. Therefore, the mechanism for the movement of a socialist commodity economy is a sort of network-like, open model which makes conscious use of the market mechanism for competition. Its major advantages are as follows: It is able both to stimulate enterprise motivation, vitality, and strength, and to avoid dislocation and stagnation in the movement of the economy due to administrative mistakes; it promotes technological progress in enterprises, and improves their economic results and their ability to respond to change. The mechanism for the movement of a socialist commodity economy exists under the effective control of the macroeconomy. This is the main point of difference from the capitalist commodity economy movement mechanism.

III. How are we to establish this mechanism for the movement of the commodity economy?

1. On the question of the status of enterprises, state-owned enterprises are commodity producers and managers which are autonomously managed and take responsibility for profits and losses. An enterprise manages production in response to market needs, and in order to gain a reasonable profit ("doing absolutely anything for money" and "getting rich by foul means" are unlawful activities). If state-owned enterprises incur losses which are deemed to meet the conditions for bankruptcy, they should be delcared bankrupt. In general, enterprise bankruptcy is different from an enterprise ceasing production or closing, in that if workers are affected in terms of employment due to bankruptcy, they should enjoy social welfare privileges.

2. On the question of intraenterprise relations, it is necessary to develop different forms of the socialist ownership system, and in state-owned enterprises which have the conditions, to develop a socialist share economy based on the state ownership system in which "one enterprise has many systems, and shareholders manage." We must also promote and popularize a contract economy on many levels and in many forms; carry out a system of floating wages linked to economic results; and handle correctly the relations between distribution of interests to the state, enterprise, and worker. We must both protect state interests, and establish workers as masters of the enterprise from an economic point of view. This is the source of motivation within an enterprise, and the source of motivation for the entire movement mechanism.

3. In the sphere of government-enterprise relations, we should carry out a division of responsibility between the state, enterprise, and worker and make sure that the administrative organs have no right to interfere in the production activities within enterprises. We must streamline the administration and devlove power, and in order to do this we must destroy a few "temples" and reform certain management systems which bind the hands and feet of enterprises, so that enterprises genuinely become lively "economic cells," not simply subsidiaries of administrative organs.

4. In the sphere of administrative relations, we must gradually devolve that portion of the powers of management and authorization which should be devolved. We must both give play to the role of sector management, and exploit the overall function of cities in coordinating and organizing economic activities.

5. In the sphere of enterprise relations, we must give play to the role of a pluralistic market, including the means of production commodity market, the fund market, the labor market, and the technology market, and establish a multilevel competitive market system which turns the market into a link for communications and exchange between enterprises.

IV. Why has the role of the existing mechanism for the movement of the commodity economy not yet come fully into play?

The major reason is this: Further reforms are needed in the old product economy movement mechanism. Before the reforms are fully completed, it will limit the full exploitation of the function of the commodity economy movement mechanism. This may be seen mainly in the following: 1) The main means of production will still be subject to mandatory production plans and product purchase plans. This portion of the means of production cannot yet be introduced into commodity market circulation. 2) Some major of production will be irrationally priced, and prices will not be appropriate to variety, while they will also be seriously divorced from the actual realities of supply and demand. It is also very difficult, for many reasons, to carry out a speedy reform of the pricing system. This irrational price system in turn restricts the full exploitation of the commodity economy movement mechanism. 3) The commodity market has not yet been entirely opend up, while the markets for funds, technology and labor have not yet been formed. In other words, the market mechanism is by no means wholly complpte or healthy. 4) As yet there has been no basic change in the situation of no division between administration and enterprise, or of barriers between regions and levels, and it is difficult to carry out the policy of "first taking the jobs sticks away, then breaking down the temple" in the economic management structure. If there is a "temple," there is bound to be a "spirit," and if so, who will dare take the "jobs sticks" away? Departments in authority continue to give enterprises insufficient power. 5) The macroeconomic regulation mechanism for the movement of the commodity economy has not yet been fully established, while the existing macroeconomic regulation mechanism for the old product economy movements is unable to control growing social demand, and is bound to lead to long-term commodity shortages, and cannot form a buyers' market to an appropirate degree. This is the major obstacle to the reform of the old product economy movement mechanism. If we do not get rid of this major obstacle, it will be difficult to push forward the economic system reform, to avoid losing control over the macroeconomy, and to give full play to the role of the commodity economy movement mechanism.

The full exploitation of the role of the mechanism for the movement of the commodity economy is dictated by the process of substituting the new commodity economy movement mechanism for the old product economy movement mechanism. The speed or otherwise of this process is primarily dictated by the speed or otherwise of the establishment of the model for macroeconomic regulation mechanism for the commodity econcmy.

The Creation of a Macroeconomic Regulation Mechanism for the Commodity Economy

The creation of a macroeconomic regulation mechanism for the movement of the new commodity economy and the reform of the macroeconomic regulation mechanism for the old product economy movement is the second test in the creation of a model for China's state economic system.

I. What is the macroeconomic regulation mechanism for the movement of a product economy?

According to my research, products in kind form the macroeconomic regulation mechanism in the movement of the product economy, and value and currency are merely means of calculating and estimating value. The basic hallmark of the mechanism for macroeconomic regulation of the product economy which came from abroad is as follows: 1) In terms of the object of macroeconomic control, its objects are direct control of supplies, products, sales, people, finances, and materials of enterprises (particularly large and medium-sized state-owned enterprises.) 2) In terms of the quotas for macroeconomic regulation, mandatory quotas for material goals are the main thing, to the neglect of the role of guidance plans in terms of value. 3) In terms of macroeconomic balance, plans are drawn up centered on balancing a portion of products, not centered on balancing the national income and distribution. 4) In terms of handling the relationship between total social supply and demand, attention is concentrated on ensuring the inflation of social demand. 5) In terms of improving the ratios of the product structure, stress is placed on channels for monolithic state investment and direct planning control, while multichannel investment and regulation through market needs are ignored, along with regulation by economic levers.

The major problems in this model for the mechanism for macroeconomic regulation of a product economy are as follows: It is unable to control the balance between national income and expenditure; it cannot overcome the long-existing phenomenon of inflated social demand and product shortages; it cannot make production elements sensitively engage in production of commodities which are in short supply, nor can it effectively coordinate the ratios of thp national economy; moreover, macroeconomic regulation directly controls enterprises, managing them too tightly, and killing their initiative and life. This is the reason for the universal phenomenon in socialist economies of lifelessness and repeated loss of control in the old economic system.

China's exploratory economic system reform over the past 5 years and more has indeed achieved successes. If we say that there are still some shortcomings we mean that at the same time as grasping the reform of the movement mechanism of the commodity economy, and paying attention to enlivening the economy, we have not promptly grasped the establishment of a model for a mechanism for macroeconomic regulation of the commodity economy, and substituted it for the old macroeconomic regulation mechanism for the old product economy. The excessive speed in economic growth caused by the partial loss of control over the macroeconomy which is being talked about now is actually an old problem of the model for macroeconomic regulation mechanism of the old product economy. It is not a new problem created by the fact that the economic system reform has gone ahead too fast, but an old problem arising because the reform has gone ahead too slowly. The way to solve this problem is to speed up the establishment of a model for the macroeconomic regulation mechanism of the new commodity economy, and substitute it for the old one.

II. What is the mechanism for macroeconomic regulation of the new commodity economy?

According to my research, the commodity value mechanism is the mechanism for the macroeconomic regulation of the commodity economy. This new model's basic hallmark is that based on the balance of value, it balances material things mainly through the organization of a balance in values, and centered on the balance of the national economy values, and through the use of mandatory value plans and various economic levers, it regulates total social demand and changes in the structure of demand, and thereby exercises conscious regulation of economic movement.

III. How are we to create a mechanism for the macroeconomic regulation of the new commodity economy?

1. It is necessary to carry out the principle of division of responsibility between the government, enterprise, and work. The enterprise is the management entity of the commodity economy, and in this sense, the enterprise may be said to be the basic unit. The government is the macroeconomic regulator of the commodity economy, and in this sense, the state may be said to be the basic unit. The unification of the mechanism for the movement of the socialist commodity economy and its regulatory mechanism require the unification of the concepts of the enterprise and the state respectively as the basic unit.

2. The mechanism for macroeconomic regulation is possessed and used by the central government and local governments on its behalf. In brief, under the unified leadership of the state, we effect the principle of a combination of centralized use by the central government and dispersed use by local governments of the mechanism for macroeconomic regulation, but on issues which affect the whole economy, the whole country must be subordinate to macroeconomic regulation by the central authorities. What we call the mechanism for macroeconomic control involves two functions: the first function and the second function.

3. How are we to give play to the first function of the macroeconomic regulation mechanism?

This first function is the control of the balance between national economic income and distribution, and the prevention of the formulation of plans in which national income is higher than distribution. This is the basic way of solving the problem of inflated demand and commodity shortages. The general principle is to reform the basic system of centralized state control over the balance, and instead to introduce a system of floating balance in which each level of government, each department and each enterprise controls their own figures. There are four salient features of this system:

(1) Increases and reductions in wages of enterprise staff and workers are linked to that enterprise's economic results (mainly, they are linked to that part of finances handed over to the state and that part of funds belonging to the enterprise which it transforms into state-owned assets). The state only controls the floating ratios. If wages go up, state income increases even more. The boat rises and falls with the water, and the boat is always higher than the water; in this way, the phenomenon of loss of control over consumption funds cannot occur. In the case of a small number of enterprises whose per capita profit handed over to the state is little on the small side, the extent to which wages are linked to profits may be extended somewhat.

(2) The balance between financial income and expenditures is maintained. In order to uphold the principle of balancing financial income and

expenditures and having some surplus, it is necessary to make important reforms in the system, make clear divisions between the scope of expenditure and source of income for the central government and the regions respectively, so that each level takes its income as its starting point, controls expenditure according to income, and balances its own books. The central government must not get itself into a financial deficit, and neither must the regions have a covert deficit. If the state has especially urgent needs, state bonds may be issued upon authorization by the NPC.

(3) Implement a financial and credit system which prevents inflation of currency and credit.

It should be clearly stipulated in the rules of the financial system that; the issue of currency is the sole domain of the state, and is controlled by organs with state power. It can only be issued for economic reasons. Unless the state experiences especially urgent need, the financial issuance of currency is not permitted. The central bank is the state's organ of financial management, not an enterprise involved in the credit business.

In the sphere of the credit system, the central bank contols base currency. The central bank controls funds lent to the specialized banks only according to this base currency, eliminating the system of using both credit plan quotas and funds to limit lending to the banks. The current method is that if there is a credit plan quota but no funds, money cannot be lent; and if there are funds but no credit plan quotas, money cannot be lent either. This method is much too rigid and must definitely be changed. How? I propose the following: 1) Specialized banks are financial enterprises; 2) Specialized banks cannot practice monopoly management -- several competing banks should exist in the same city; 3) Specialized banks hand over deposit reserves to the state; 4) The central bank exercises control over the specialized banks through lending of funds; 5) The specialized banks are managed like enterprises, expanding the scale of their loans through attracting more deposits and promptly retreiving money loaned; and 6) Specialized banks introduce a financial management system in which deposits are linked to loans, such that the more deposits there are, the more loans may be made, and the more income there is the more expenditures there can be. When attracting depositors, specialized banks should have as their first priority handing over reserve funds to the central bank; at the same time, they must definitely not borrow any more funds from the central bank. With this precondition, the specialized banks may carry out a credit system which is "self-balancing with deposits linked to loans."

4) A management system is introduced which is characterized by each level exercising control over its own foreign exchange, income and expenditure, such that it balances its own books. The central bank will exercise three types of control over the various sectors and regions: 1) It will calculate the ratio of foreign currency to be retained; 2) It will

calculate the margin between foreign currency income and expenditure; and 3) it will control the amount of foreign currency in order to control commodity imports, and will also calculate the amount of foreign currency to be spent per year on such commodities. These limits must be strictly adhered to.

As long as we exercise genuine control over the four above areas in the mechanism for regulating the macroeconomy, we will be bound to solve three old problems: 1) We will bring the overall balance of the national economic income and expenditure under control, and eliminate plans which result in income exceeding expenditure. Social inflation will be brought under control, the phenomenon of nonstructural commodity shortages will be overcome, and an appropriate buyers' market will be formed. 2) International income and expenditure will be brought under control, such that a big margin between income and expenditure will be avoided and a rational amount of foreign currency reserves will be maintained. 3) The speed of economic growth stipulated by the state will be strictly adhered to by maintaining the four above balances, and such adherence will be an essential part of work discipline. Those who violate it will be punished according to the circumstances of each cases. As long as these rules are kept to, the first function of the macroeconomic regulation mechanism will be able to restrict administrative policy errors, keep the ratios of the national economy from becoming unbalanced, and avoid big fluctuations in socioeconomic development.

IV. How are we to give play to the second function of the microeconomic regulation mechanism? The second function consists of regulating the ratios of the production structure, including the ratios of the commodity structure, and of ensuring the coordination of the commodity and consumption structures. Consumption includes that involved in both living and producing. On thing should be made clear here: The state uses the first function of the macroeconomic regulation mechanism, and at the same time as controlling the balance between national economic income and expenditure, it controls the ratios of this income and expenditure, including the ratio between accumulation and consumption and that between the inner ratios of the accumulation and consumption structures. This controls the overall volume and structure of market demand from a macroeconomic point of view. This regulation of the volume and structure of market demand by the state according to plans forms the essential difference between the socialist and capitalist markets. This difference signifies that socialist market regulation is an integral part of the socialist planned economy, not an integral part of the capitalist market economy.

The aim of socialist production is to satisfy social demand. In a commodity economy, social needs are expressed as market needs. Therefore, that market needs regulate the production structure, including the commodity structure, is entirely appropriate to the objective needs of the basic economic laws of socialism.

Socialism. The basic conditions for the exercise of the second function of the macroeconomic control mechanism are as follows:

1. An enterprise is a commodity producer and manager. The enterprise produces according to market needs, and with the aim of making reasonable and legal profits. This is the basic condition for evaluating the role of the socialist macroeconomic regulation mechanism. However, it is difficult for each individual enterprise to be fully aware of all the changes and tendencies on the domestic and foreign markets, and therefore, there is still a need for the central authorities to issue guidance plans for major commodity production according to the scope of production and sales of particular commodities.

2. A policy of price stability is carried out with regard to that small number of commodities essential to the people's lives, and a floating price policy for all other commodities. Floating prices and free prices may fluctuate according to market demand.

3. There is an open fund market, with many channels for sources of investment, including state planned investment, local government plan investment, enterprise investment, funds raised among people in society, and foreign investment. State plan investment is used mainly for nationwide capital construction and large-scale backbone enterprise building, and forms part of the mandatory plans; local government plan investment is used mainly for local industrial and agricultural capital construction and the building of key enterprises, and forms part of the guidance plans. Other investment, including enterprise investment, social fund-raising, and foreign investment, may be used on any project, as long as it does not violate state laws, according to market needs and predictions.

4. Economic levers are used to regulate the commodity profit rate. Profit rates on oversupplied low-demand goods may be lowered by the use of economic levers such as tax increases and price cuts; those goods in short supply and high demand may become more profitable through government use of economic levers such as tax cuts and price hikes. The aim here is to attract funds (and consequently other production factors) from the production of oversupplied commodities to the production of goods in short supply. This is a more effective and flexible means of achieving this than the use of guidance-type quotas for specific products.

5. Exchange rates and customs tax rates are used to regulate the variety and quantity of export goods, acting as a supplementary balance to domestic market supply and demand, and an important economic lever in controlling the state's foreign exchange balance.

The exploitation of this second function of the macroeconomic regulation mechanism and the flexible regulation of the production and commodity structures mainly on the coordinated use of many different means of regulation: 1) Guidance-type production plan regulation: 2) Regulation through guidance-type value quota plans: 3) Regulation by the market mechanism, and 4) Regulation through different economic levers.

How to Consciously Substitute the New Economic System Model for the Old One

The establishment of a new economic system model, the reform of the old economic system model, and the conscious and complete substitution of the former for the latter. Requires that we draw up an overall program for China's economic system reform. China's economic system reform may roughly be divided into three stages.

The first stage: The preparatory stage, that is, the stage of partial, exploratory reform. This took place from the 3d Plenary Session of the 11th CPC Central Committee in 1978 to the 3d Plenary Session of the 12th CPC Central Committee. The theme of this stage was the enlivenment of the economy and the opening up of the domestic and foreign markets. It concentrated on breaking down the old system of movement of the product economy, and the establishment of a mechanism for the commodity economy; and it achieved great things in the spheres of developing the rural commodity economy, promoting technological progress, improving economic results, enlivening the rural markets, and making the economy more flourishing. However, the mechanism for the movement of the commodity economy was not yet perfected, and the reform came across all sorts of obstacles. Of course, during this preparatory period, we made a thorough summing up of the experiences of the reform, became clearer on the new road to China's economic system reform, and formulated the "decisions of the CPC Central Committee on the Economic System Reform." This is a programmatic document guiding China's economic system reform from now on, and a tremendous result of the system reform during the preparatory period.

The second stage: Overall reform, this will run from the 3d Plenary session of the 12th CPC Central Committee to the completion of the Seventh 5-Year Plan. The first 2 years of this stage consist mainly of "stabilizing the economy," and the theme of the reform is the establishment of a new model for the macroeconomic regulation mechanism for the new commodity economy. This requires the thorough reform of the old product economy regulation mechanism. The specific substance of the reform is as follows: A thorough, coordinated reform of all systems, from the wage system to the financial management system, the credit management system, the foreign currency system, and so on. The aim that the reform must achieve is as follows: Achieve overall control of the balance between national economic income and expenditure, control over inflation of social demand elimination of the phenomenon of national income exceeding distribution and the gradual formation of an appropriate buyers' market. The key here is to control the speed of wage rises through the raising of economic results, and to control the scale of capital construction through the blance of funds. [Footnote] [See also the article "Establish a Model for the Macroeconomic Regulation Mechanism for the New Commodity Economy" in Jingji Lilun Yu Jingji Guanli" No 5, 1985]

In order to control the scale of capital construction, the rate of wage rises, and the inflation of social demand, from the macroeconomic point of view, and to gradually form an appropriate buyers' market, it is necessary to grasp the opportunity to carry out the following three important reform tasks.

First, complete the reform of the price system of the means of production, substituting commodity circulation for monopoly distribution and purchase of products, and basically eliminating mandatory quotas for goods production (including production and purchase plans). Under conditions in which the balance between the national economic income and expenditure is upheld and the necessary mandatory plans for capital construction investment are retained, carry out a plan system dominated mainly by guidance plans.

Second, on the basis of completing the reform of the finance and credit systems, develop the socialist systems of shares and contracts, create a market system with a fund market at the head of the chain, bring into play the various functions of large, medium, and small cities and their roles in the promotion of the economy, of technological progress, and of the supply of information, forming a multi-layered market network with the large, medium, and small cities as the axes.

Third, streamline the economic management structure. Enterprises are subject only to coordination and management by overall government departments; administrative departments within enterprises should be eliminated, along with all sorts of administrative-type companies. Associations of sectors should be organized and perfected, which have responsibility for coordinating domestic business within each respective sector. In this way we will genuinely reach a situation in which there is a division of responsibility between the government, enterprise, and worker, and will fully solve the problem of division between levels and regions.

The achievement of the above three important tasks will create conditions for the perfection of a mechanism for the movement of the new commodity economy. And the unification of this mechanism and the mechanism for the macroeconomic regulation of the new commodity economy will together form the model for China's economic system.

The third stage: The perfection and readjustment of the new economic system model and the elimination of the effects of the old economic system model. It would seem that it is no good for the system reform to be either too stable or too unresolved. An unstable, insecure environment is highly disadvantageous to economic life. An urgent task at present is to design a model to aim at in the creation of China's economic system. It we do not define such a model, confidence in the reform is bound to be shaken by setbacks, detours, and repetitions, and the great opportunity for reform will be lost. In my opinion, one of the system reform committee's most urgent tasks at present is to marshall nationwide forces to conduct research into a model for China's economic system, and to draw up an overall program for the system reform. Strength should be drawn from all sides to draw up various plans which should be compared and selected, and a policy drawn up.

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NATIONAL POLICY AND ISSUES

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[Article by Li Yonglu [2621 3057 4389] of the Sichuan Institute of Finance and Economics: "The Conditions For and Forms of, Management Through Industrial Trades" -- completed August 1985]

[Text] Our nation's 400,000 industrial enterprises are the material base and advance front in carrying out our socialist modernization. However, at present it appears that they are very scattered, their organization is irrational and it is not possible to fully bring their roles into play. The scientific and rational organization of this vast number of scattered industrial enterprises in accordance with the demands of the socialization of production so as to greatly raise the productivity and economic results of all industry, is a strategic task facing us at present. Strengthening management through industrial trades is an important form and method for carrying out this task.

1. Strengthening Management Through Industrial Trades Is an Objective Demand of Economic Development

A primary requirement in this is the development of a socialist commodity economy. Historically, management through trades is the product of economic development reaching a certain stage. It is also a requirement for the further development of the commodity economy. The development of a commodity economy causes the continued raising of the degree of prodcution socialization. As the social division of labor becomes more specialized, the number of trades will increase and the relationship of cooperation between trades as well as between enterprises within the same trade will further develop. This objectivity requires that all trades establish trade organizations of various types to carry out necessary management of the trade and to coordinate the various economic relationships between trades and between enterprises within each trade. The various guild organizations for protecting a trade's interests which appeared in the medieval period, played a definite role in management of their trade. However, these guilds were established on the basis of handicraft trades and thus the contents and methods of management were relatively simple. Also, they had a pronounced fedual colour. Following the development of capitalism and the appearance of large-scale, mechanized industry, these feudal guilds declined rapidly and were replaced by new trade organizations which accorded with the demands of the development of a capitalist economy. The work of the trade organizations at that time was abundant, and the organizational forms diverse. They were able to accord with the requirements of domestic and international competition and has a greater trade management function.

At present, in some industrially-developed capitalist countries, because of intense competition and especially the intensification of international competition, the capitalists in the various industries, especially some medium-scale and small entrepreneurs, are pressing for protection of their trades. This has resulted in trade management being greatly strengthened and developed, and this management is being daily improved. For example, in 1978 Japan had over 55,000 trade organizations of various types. These form an interconnected network of trade organizations. Most trades have national organizations which exercise varying degrees of management over the trade. Even the small wig-making industry has a national trade organization. It is not only aware of the domestic situation in respect of the trade, but also understands the international situation in terms of the production, sales and technical developments in the wig-making trade. Japan has developed very quickly and is highly competitive in the international market. This is closely linked with the continued strengthening and improvement of its trade management. United States' trade organizations are also widespread, and there are over 18,000 national and local trade associations. Over 70 percent of West Germany's enterprises participate in trade organizations. In France, there are many names for trade organizations. The Federation of Mechanical and Metallurgical Processing Industries alone has 66 trade associations. Membership is close to 10,000 including virtually all large, medium-size, and small mechanical and metallurgical processing enterprises. The experience of developed capitalist countries in strengthening management through trades can provide us with great inspiration. It shows us that improving and strengthening management through trades is a requirement for the development of the economy, and is a particular requirement for the development of a modern commodity economy.

A socialist economy is a planned commodity economy. Between the trades and between the enterprises in each trade exist complex economic relationships and relationships of coordinated divison of labor. In order to make it possible to coordinate the production and operational activities and the economic relationships between the various industrial trades and between the enterprises in each trade, to protect the legitimate interests of various trades and their enterprises so as to avoid blindness in the development of production and guarantee the healthy development of the commodity economy, and in order to raise the comprehensive economic benefits of ovarll industry and of the national economy, it is even more necessary that a socialist nation strengthen and improve industrial management through trades.

Socialist management through trades is established on a base of public ownership and the means of production. Its nature and aims are different to those of capitalist industrial trade management, which is based on private ownership of the means of production. However, in that they are both requirements for the further development of the commodity economy, they have a common nature. Thus, we should study and use as reference the experience of capitalist nations, especially some of the industrially-developed capitalist nations in terms of their effective methods of management through trades and their positive and negative results. We should then adopt those things which are advantageous. This will be beneficial to establishing socialist management through trades with Chinese characteristics.

Second, strengthening management through trade is an important component and objective demand of the industrial structural reforms. Our nation's original industrial management system basically follows the Soviet Union model. Its characteristic is that state industrial management departments directly manage enterprises on the basis of administrative divisions and jurisdiction relationships, mainly through administrative methods, with divisions between levels and between departments. Because the industrial management departments of the central authorities (ministries), provinces, prefectures, counties and villages all have a number of enterprises directly subordinate to them, they take the management of these enterprises as the central point of their work. In this way, on the one hand, the directly-administered enterprises are administered excessively and too tightly which seriously suppresses their vigor and vitality. On the other hand, these departments are powerless in respect of, and unable to manage, other enterprises of the same trade subordinate to other departments. In fact, the industrial management departments at various levels take on many of the microeconomic problems which should be solved by the enterprises themselves, and thus do not play a trade management role. In order to change the old industrial management system and completely break through the divisions between departments and regions. We must appropriately reform our nation's industrial management organizations and management methods, and then establish and perfect industrial trade management. Also, we must change the functions of industrial management departments from mainly managing enterprises to managing trades. This is also a requirement if we are to strengthen macromanagement of industry.

Third, strengthening management through trades is a requirement if we are to raise the comprehensive economic results of industry. Because the industrial management system is not rational, it seriously affects the raising of comprehensive economic benefits. This is mainly manifested in the following aspects: 1. Because of the divisions between departments and regions and the dismemberment of trades, each department and each region has become an entity. Each has its own administration which artifically severs the horizontal relationships of a commodity economy. This results in a very low level of specialization in the overall industry, and combination and cooperation is very difficult to achieve. The "large and complete" or "small but complete" phenomona are very serious and all this violates the objective demand for the socialization of production. 2. Because of the division between departments and regions and the dismemberment of trades, unified plans for trades are lacking. The phenomona whereby all departments and all regions engage in duplicated construction, duplicated importation, duplicated production and blind development is quite serious, resulting in a great waste of society's labor, materials and funds. 3. Because of the divisions between departments and regions and the dismemberment of trades, all the trades lack unified technical policies and technical standards. This affects technological progress and the propagation of new technologies as well as the raising of labor productivity. 4. Because of the divisions between departments and regions and the dismemberment of trades, the enterprises have many "mothers-in-law," there are many leaders, and organizations are overlapping, resulting in a low level of work efficiency. all these problems require strengthened management through trades.

In addition, strengthening management through trades has great significance and an important role in perfecting industrial information systems, improving enterprise administration and management, and strengthening the comprehensive balance in the macroeconomy.

2. Creating Conditions for Gradually Implementing Management Through Trades

There are differences of opinion on whether certain conditions are needed for implementing management through trades, what sort of conditions are needed, and whether or not our nation has these conditions. Some comrades believe that the implementation of management through trades does not require any special conditions. They believe that we only need to change the former departmental management into management through trades and change the industrial management departments into industrial trade management departments. Some comrades feel that it will be possible to achieve management through trades only by reforming the economic structure and thoroughly breaking down the divisions between departments and between regions, and thus feel that we do not have the conditions for implementing industrial trade management. Both these views are worthy of discussing. The former sees the implementation of industrial trade management in our nation too simply and overlooks both the obstacles which the old economic structure places in the path of the implementation of trade management and the mutually-repellant nature of the two. The latter makes the conditions for carrying out industrial trade management absolute and does not recognize the beneficial conditions for implementing industrial trade management which the current economic reforms have provided.

Socialist industrial trade management is a form and method by which to organize and manage the socialist commodity economy. It requires certain conditions. Socialist public ownership and the planned economy system provide the general conditions and objective possibility for us to establish socialist management through trades. It will also result in our management having greater superiorities than capitalist management through trades. But changing this possibility into reality also requires that we have an economic management system which is suited to the implementation of management through trades. Management through trades is linked to a commodity economy. However, the base of the old management system is a product economy. The nature of a product economy is mutually exclusive with that of a commodity economy. This thus objectively obstructs and repels management through trades, and on this basis we cannot establish a complete industrial trade management system. Past practice has clearly proved this point. Thus, reforming the old management system is a precondition for establishing a complete socialist trade management system in our country. Specifically, we should have the three following basic conditions: 1. Enterprises should truly become relatively independent economic entities, and should have operational decisionmaking power. This is the minimum and most basic condition. 2. Socialist industrial trade management must carry out planning, coordination, service, supervision and guidance for whole industries, including enterprises owned by different departments and regions as well as privately-owned enterprises. It objectively requires that the barriers between departments and regions be broken down and that each trade sets up its own system. If this is not done, there cannot really be industrial trade management. 3. It is necessary to establish a unified, socialist domestic market. Socialist industrial trade management is established on the basis of a planned commodity economy. A market in which commodities can be realized is an indispensible condtion and is the external environment for enterprises' production and operational activities. Thus, establishing a unified developed socialist domestic market which includes not only markets for means of consumption, but also markets for means of production, technology markets, labor service markets and financial markets, is a requirement for establishing a socialist commodity economy, and is also an important external condition and external demand for realizing socialist management through trades.

The three conditions are all closely linked with the reform of the economic structure. The process by which the conditions for achieving management through trades are realized is in fact determined by the width, breadth, and depth of urban economic reforms and the process of their development. However, we cannot conclude from this that we cannot implement management through trades before the economic reforms are completed. Management through trades and the reform of the economic structure promote each other. As the economic reforms deepen, they will be of increasing benefit to the implementation of industrial trade management. Also, the implementation of management through trades is an important component of the reform of the economic structure, and its implementation will also be of benefit in the deepening and development of the reform of the economic structure. We should fully utilize the various advantageous conditions presented by the reform of the economic structure to implement management through trades and actively spread management through trades. In fact, in the wake of the further deepening and development of the reform of the economic structure, we already have initial conditions for implementing management through trades.

We should first look at enterprises' autonomy. Since the 3d Plenary Session of the 11th CPC Central Committee, we have carried out a policy of expanding enterprises' autonomy. Following the continual development of the urban reforms, enterprises' autonomy has also been appropriately expanded. This has especially been so following the promulgation of the State Council's "Provisional Regulations on Further Expanding the Autonomy of State-Owned Industrial Enterprises" in May 1985. These further stipulated enterprises' autonomy in areas including production and operational planning, product sales, funds' use, labor and personnel management, and wages and bonuses. In the fourth quarter of that year, the second step of the reform to substitute tax payment for profit delivery was instituted, causing the economic interests of enterprises and their responsible departments to become "unhooked." The enterprises thereby gained greater autonomy. These measures have all created preconditions for changing enterprises from appendages of administrative organs to relatively independent economic entities, so that they can become socialist commodity producers and operators which control their own operations and have responsibility for their own profits and losses. In this way, the enterprises have relative autonomy in operations.

Second, we should look at breaking down the divisions between departments and regions. Due to the development of the reforms of the urban economic structure, the divisions between departments and regions are beginning to see changes. Through carrying out reorganization and combination, strengthening horizontal economic relationships and organizing all sorts of cooperation and combinations which cut across departments and regions, we have begun to break through the divisions between departmental ownership, regional ownership, and private ownership. At the same time, following the initial bringing into play of the many functions of cities, a number of embryonic economic regions of different scales which rely on large or medium-size cities and which have open network froms, have begun to appear. These embryonic economic areas are gradually changing the former situation of divisions between departments and between regions.

Further, we should look at establishing a unified socialist domestic market. The planned commodity economy theory, creatively put forward by the 3d Plenary Session of the 12th CPC Central Committee, created a theoretical base for establishing a unified, socialist market. At the same time, our practice in reforming the economic structure has broken through the fetters of traditional viewpoints. At present, there exists in our nation's economic life, markets for the means of consumption, while markets for the means of production, markets for technology, markets for labor and financial markets are all being formed.

The above show us that the continued deepening and development of the reform of the economic structure has already created definite conditions for carrying out management through trades. We should make full use of these beneficial conditions to promote the development of management through trades. At the same time, we should also recognize that the reform of the economic structure is still in progress. The economic structure is at the transitional stage where the old system is changing into the new system. Many aspects of the old system are still playing roles to different degrees and are directly or indirectly restricting management through trades. This requires that in the process of organizing and implementing management through trades, we must fully consider the characteristics of the change from the old system to the new system, proceed from reality, advance in an orderly way and progress in a planned and step-by-step manner.

3. Establish a "Double-Track System" of Industrial Management Through Trades

As to the form our nation's management through trades should take and what its target model should be, these are questions well worth studying. Clearly, these points have great significance in guiding current industrial trade management work.

The selection of the model for management through trades in any country is closely linked to that country's society, economic characteristics, management systems and even to its traditional customs. We should proceed from our nation's actual situation and establish socialist industrial trade management with Chinese characteristics.

By proceeding from the requirements and characteristics of a planned commodity economy, our nation's management through trades will be of benefit to independent operations by enterprises, the increasing of enterprises' vigor and the enlivening of the microeconomy. On the other hand, it will be of benefit in bringing into play the role of the socialist state-managed economy and in strengthening control and management of the macroeconomy. Thus, I believe that the target model for our nation's management through trades should be to establish a "double-track system" of organization.

The "double-track system" includes the idea that the system of organization of our nation's management through trades should be an organic combination formed by both government trade management departments and non-government trade associations. These two components are different in terms of their nature and tasks. However, they promote each other and are tightly linked. Non-governmental trade associations will be powerful aides of government trade management departments, and in their work will be guided by government trade management departments. However, organizationally the two will not have a relationship of leader and led. They will each be independent and will each carry out their work according to their own natures and tasks.

Government trade management departments will be functional departments of government and will represent the state in carrying out trade management. Their main functions will be: to formulate and arrange policy, plans, coordination, supervision and specific tasks; to implement the trades' plans, policies and laws and regulations; to draw up plans for the trades' development; to arrange deployment in terms of the trades' key construction projects, scientific research projects, and the work of developing new products; to arrange specialized coordination and reorganization of alliances; to coordinate development plans and economic relationships between enterprises within the trade and between the trade and other trades; to collect and disseminate economic information to the trade; to manage that trade's external economic and technical exchanges; to supervise the enterprises of that trade in their carrying out of relevant state plans, policies and laws and regulations, and so on.

In the setting up of government trade management departments, the requirements should be broad rather than narrow, and the division of work should be general rather than specific. Departments should be set up on the basis of major trades (which can be referred to generally as "categories") and, in general, management organs can be established at three levels -- the central (ministry) level, the provincial level and the city level.

Trade associations will be organizations voluntarily set up by enterprises of the same trade to coordinate the development of that trade. They will not be government trade management organs and will not be economic entities. Rather, they will be non-government organizations under the guidance of relevant state trade management departments. Their main function will be, under the conditions where enterprises are independent and autonomous in their operations, to carry out liaison, provide guidance, provide service and act as consultants for the enterprises of that trade. They will represent the enterprises in talking to the government, and will be able to act on behalf of the government in holding discussions with the enterprises and in supervision of the enterprises. On the one hand, they will report to the government the situation in respect of enterprises' production operations, and reflect enterprises' ideas, requests and suggestions. On the other hand, they will pass on all relevant policies, plans and laws and regulations to the enterprises and guide enterprises' to consciously achieve the government's intentions. They will play the role of bridge and link between government and enterprises. Their specific tasks will be: to assist relevant government departments to formulate medium- and long-term development plans for the trade; to formulate and supervise implementation by the enterprises of unified technological policies and specialized technical standards; to tighten the relationship between enterprises within the trade, and organize production cooperation and exchange of experiences within the trade, to organize experts to carry out diagnosis, provide guidance and supply consultancy and technical services in respect of enterprises' operational management and product technology; to train managers and technical personnel for enterprises; to collect, put in order and provide to the enterprises all sorts of technical and economic intelligence relevant to that trade; to protect the legitimate rights of the enterprises within the trade and the reputation of the trade; to link up and strengthen the relationship between enterprises of the trade; and so on.

In the arrangement and establishment of trade associations, the division of work should be a little more specialized and the requirements a little stricter. In general, it will be best to arrange and establish them on the basis of specialized industrialized trades. All enterprises of that trade, regardless of which region or department they come under, would then be able to voluntarily join the association, and could also freely withdraw. A single enterprise could, in accordance with demands, concurrently participate in several trade associations. The trade associations will be of two types -- national and local. It is not certain that every province and city will establish local trade associations, and it is not certain that all national trade associations will be established in Beijing. For example, the industrial trade association for bicycles and for sewing machines could be established in Shanghai, the silk industry trade assoication could be established in Hangzhou and the machine-tool industry trade association could be established in Shenyang. They could rely on their industry's large enterprises and scientific research center to assist in carrying out their work. The highest organ of power of a trade association will be the plenary session of association members, while specific work will be carried out by a council. Below the council, a small, highly-trained administrative body to handle the day-to-day tasks of work may be established. The funds of the associations will mainly come from association dues of member units, income from various types of undertakings arranged by the association, government subsidies and donations from relevant units or individuals.

Trade associations will not be bodies subordinate to administrative organs, and will not be subject to the leadership of any department. However, they will have to impelement state principles and policies, and accept the guidance and supervision of the state. At the same time, when formulating plans, allocating investment and formulating pricing, taxation, credit and other economic policies, the state should pay full attention to and respect the views of the associations.

Establishing a "double-track system" for organizing management through trades, which includes the two large systems of government trade management departments and non-governmental trade associations, can both bring into play the role and enthusiasm of the state for strengthening management over trades in the macroeconomic sphere, and also bring into play the roles and enthusiasm of enterprise and enterprise colonies of various industrial trades in strengthening management through trades. In promoting development of our nation's planned commodity economy, this will play an important and positive role. Thus, taking the "double-track system" as the target model of management through trades conforms quite well with our national situation. But, as to whether this organizational system is the target model for management through trades, we must wait until the reforms of the economic structure are completed, because only then can it be truly realized. At present, we are in the period of transition from the old system to the new system. Also, we lack a basis for management through trades. It is unrealistic then to think that we can immediately establish a perfect "double-track system" or organization. Thus, in the process of implementing management through trades, on the one hand we must consider the demands of a "double-track system" target model, and in formulating policies, adopting measures and forming a basic structure, we must aim in this direction. On the other hand, we must consider the actual situation at present, and implement some elastic, flexible measures of a transitional nature, and adopt diverse methods of management through trades. For example, in establishing trade association and in handling the relationship between the trade associations management and departmental management, there will be the question of how to use existing industrial management departments. This requires that we pay attention to the different situations of the various departments. For example, the products of some departments are quite unitary, while others handle many types of products; in the past, in some departments, jurisdiction management for products and business has been implemented, while in some other departments this was not so; in some departments it is quite clear which products and which business is to be handled, while in other departments it is not too obvious; and so on. In keeping with this situation, in the process of implementing management through trades, on the one hand we should in general combine those trades managed by responsible government departments and those trades managed by non-government trade associations. On the other hand, as to how we are to concretely combine them, we should act in accordance with the time, the place, and the trade and adopt various forms of combination. From experiences in various areas, in our nation's management of trades at present we can adopt the following three forms:

1. Those trades with relatively unitary products, where products and business have clear jurisdiction relationships and where in the past there has been basic division of work based on this jurisdiction, for example, the electricity, textiles, iron and steel, coal and such industrial trades. For these, we can consider adopting a form which units government management departments and non-government trade associations. That is, it would be one organ with two signboards. The existing industrial management departments will concurrently carry out the dual functions of government trade management department and non-government trade association. It will be a single entity with dual roles. In this way, we will be able to use existing industrial management departments and avoid increasing organizations and personnel. Also, it will be of assistance in the coordination and unifying of work and of benefit in changing the functions of existing industrial management departments from managing enterprises to managing trades.

2. Those trades where product and business relationships are quite clear, but due to the large number of product types, there is much overlapping and duplication between departments, and thus they are managed by many departments. This includes machinery, light industry and chemicals. We can consider adopting jurisdiction methods based on major industrial trades and joining management departments with trade associations, thus having one organ with two sign-boards. Below these we can establish specialized industrial associations based on specialities. This will aid in utilizing existing industrial management departments and implementing overall planning, and will also allow the roles of various specialized trade associations to be brought into play.

3. Those trades where there are no clear jurisdiction relationships in respect of products and business, where many departments manage but none take responsibility, resulting in multi-department management. These include foodstuffs, packaging and similar industrial trades. For these, we could consider establishing trade associations which reach across departments, and below, establishing various types of specialized industrial trade associations. These industrial trade associations will be non-governmental trade associations and can also play a role in taking on some of the functions of industrial trade management departments, such as making plans for the trade and so on. They will not be directly linked to any industrial management department, and thus they will be able to break free from the fetters of management by many departments and better bring into play their ole in management through trades.

The organizational forms of management through trades are not fixed and unchanging. Those noted above refer only to the general situation at present. Following the continued deepening and development of the reform of the economic structure, the organizational forms of management through trades will see appropriate changes and it is certain that a socialist "double-track system" of management through trades with Chinese characteristics will be gradually formed and daily perfected through practice.

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PROVINCIAL AFFAIRS

HEBEI GOVERNOR ON ECONOMIC DEVELOPMENT

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["Excerpts" of speech delivered by Hebei Governor Zhang Shuguang at a provincial planning work conference in Shijiazhuang on 12 December: "Develop Our Province's Superiority, Do a Good Job in Economic Strategic Arrangements, and Develop the Economy of Our Province in a Sustained, Stable, and Coordinated Manner"]

[Text] 1. Major Fighting Goals of the "Seventh 5-Year" Plan of Our Province, and Favorable Conditions for Implementing the Plan

The "Seventh 5-Year" Plan was formulated on the basis of the fundamental guiding principles as set forth in the CPC Central Committee's proposal for the "Seventh 5-Year" Plan and our province's actual foundation for economic development, and on the principle of being optimistic, but not overambitious. We are provided with the following conditions for achieving the fighting goals for this period of time and for developing our undertakings more successfully.

First, the province has brought about a lively political situation of stability and unity. Since the 3d Plenary Session of the 11th CPC Central Committee, the masses of cadres and people throughout the province have gradually unified their thinking in line with the party's line, principles, and policies. With a better ideological foundation, they have trusted and supported the CPC Central Committee and maintained political and ideological unity with it all the more. Leading bodies at all levels have become more united, political life has been vigorous, and the relations between the party and the masses, between the army and the government, and between the army and civilians have become closer. Social order has been stable, and the people throughout the province have worked together with high enthusiasm and morale to create a new period of vigorous economic development.

Second, the line, principles, and policies of the CPC Central Committee have become more definite, have taken root deeper in the people's hearts, and have been grasped by the masses. They have provided us a way to follow in doing our work of various fields, and a unified criterion for our acts. Realizing a radical change in our guiding ideology, we have freed ourselves from the principles of "taking class struggle as the key link" and "taking grain as the key link," shifted our work focus to socialist modernization, brought our economic work into an orbit focusing on improving economic results, and concentrated efforts on developing the social productive forces. Persistently implementing the policy of opening to the outside world and enlivening the domestic economy, we have promoted the lateral cooperation and associations of different regions, departments and enterprises, developed our lateral ties with other provinces and municipalities, changed the closed economy into an open one, made commodity circulation and the market flourish, brought about a new situation of sustained, stable and coordinated economic development throughout the province, and achieved prospects for self-sustained growth. This shows that the party's principles and policies totally conform to the situations of our country and our province, and to objective economic laws, represent the interests of the masses, and are supported by the masses. An excellent situation of logical administration and harmonious people has emerged. As long as we do our work in a resolute and down-to-earth manner in line with the line, principles, and policies formulated by the CPC Central Committee, we will be able to overcome all the difficulties we encounter on our road of advance no matter how numerous.

Third, the material foundation of our province has become more substantial then ever. First there has been an overall growth in the rural economy. The agricultural output value this year is expected to increase by 74.5 percent over 1980, grain output may hit an all-time record this year, and the total income of township enterprises is expected to be 50 percent greater than in 1984. Compared with the corresponding period of the previous year, the industrial output value created from January to November 1985 registered a 15.4-percent increase. In this way, the province has begun to increase its industrial output value, profit, and profits and taxes turned over to the state simultaneously. In energy construction, total investment of the province during the "Sixth 5-Year" Plan period is expected to be 70.2 percent greater than in the "Fifth 5-Year" Plan period. This year the revenue of the province is expected to increase by 15.1 percent over 1984. Enhanced economic strength and a substantial material foundation have helped increase our ability to expand production, and lay a solid foundation for the implementation of the "Seventh 5-Year" Plan.

Fourth, the quality of the broad masses of cadres has improved and the cadre structure has become more rational. The broad masses of party members and cadres have overcome their conservative ideas and their obtuseness in politics. They have broadened their fields of vision, further emancipated their minds, given different guidance according to local conditions, displayed their favorable conditions, made break throughs in major points, found more sources of becoming rich, and effectively promoted the development of the commodity economy. Through readjustment, the leading bodies at all levels have succeeded in replacing their old cadres with new cadres. A group of new cadres who are in the prime of life have assumed leading posts at all levels. This has organizationally ensured the continuity of our implementation of the party's line, principles and policies.

Fifth, domestic and foreign economic and technological exchanges has been strengthened. Our province's economic and technological strength has become stronger. Over the past few years we have adhered to the policy of opening to the outside world, broken through the closed economic state, developed lateral economic ties, actively imported advanced technology, talented personnel, funds, and equipment, developed foreign trade, and begun to bring about a new situation in foreign trade. So far, our province has established economic and technological contacts with more than 120 countries and regions and developed economic and technological cooperation and associations with 27 provinces, cities, and autonomous regions throughout China. However, this is just a beginning, Our province lacks foreign exchange, and a shortage of foreign exchange will remain for a long time. We should further adhere to the policy of opening to the outside world, actively develop foreign trade, grasp the production of some competitive products and strive to export more and to create more foreign exchange.

Sixth, the practice of reform and economic construction has brought some experiences and enabled us to make solid progress. As for developing the rural economy, we have summed up and popularized the experiences gained in the general discussions on the "three visits" in Baoding Prefecture and how the people in Langfang Prefecture scored a "quadruple increase and to become comparatively well-off;" the experiences of Tangshan and Wuan Counties in encouraging the masses to engage in mining; and the experience of Xinglong County in integrating the production and processing of trees and fruits. In the field of urban economic structural reform, we have summed up and popularized Shijiazhuang City's experiences in comprehensively carrying out a whole range of reforms including the "collision and rebound type reform." In the circulation sphere, we have summed up and popularized the experiences of the Wangdu County in changing the supply and marketing cooperatives from being run by the government to being run by the people in order to better serve production and livelihood of the masses; the experiences of the Handan City specialized commercial company in streamlining organs and rendering a series of services; and the experiences of the Shijiazhuang People's Emporium and Nangong as well as the state commercial units in Baxian County in developing lateral cooperation, opening up markets, and invigorating the economy. These typical experiences have played an important part in promoting reform and economic construction. Of course, in the course of reform, we also have some faults and have drawn lessons from that. As long as we explore boldly, make progress vigorously, and correctly apply positive and negative experiences, we can achieve continued progress in promoting the province's structural reform and in various construction undertakings.

2. One National Economy and Various Other Undertakings Should Be Developed in a Sustained, Steady, and Coordinated Manner

The key to achieving a sustained, steady and coordinated development lies in coordination. Only through coordination can we guarantee sustained and steady development. Coordination means that we should manage things in line with the universally related objective demands and the law of making the production relations fit the productive forces, and the superstructure fit the economic foundation. As far as the national economy is concerned, coordination means to develop the economy in a planned and proportional manner. Proceeding from the economic reality of Hebei Province, I hold that we should better coordinate the relations of the following fields in the course of formulating the "Seventh 5-Year" Plan.

First, we should coordinate the relationship between general social demand and general social supply in order to maintain a proper ratio between consumption and accumulation. During the "Seventh 5-Year" Plan period, we should maintain a basic balance between the total volume of accumulation and consumption on the one hand and national income on the other. All localities and departments should conscientiously carry out the plans and arrangements of the province and must rationally keep the growth of investment in fixed assets and of consumption funds so that general social demand and the general social supply can coordinate with each other, and so can accumulation and consumption.

Second, we should coordinate the relationship between the development rate and economic results in order to maintain unity between the growth rate and economic results. We should maintain unity between the growth rate and economic result and strive to achieve a long-term sustained, stable and balanced, and realistic growth rate which yields overall actual results. Industrial production of our province has developed fairly rapidly over the past few years. At present the major problem is that our economic results are not good enough. There are various reasons for this, one of which is our emphasis on growth rate to the neglect of economic results when carrying out economic work. For this reason we must shift the focus of economic work to improvement of economic results, give prominence to upgrading product quality, and strive to greatly improve the product quality and economic results of our province.

Third, we should coordinate the proportion among agriculture, light industry and heavy industry in order to promote a self-sustained growth in the national economy. During the "Sixth 5-Year" Plan period our province witnessed a substantial growth in agriculture, light industry and heavy industry. Judging from the conditions and demands of the light and heavy industries of our province, however, light industry developed rather slowly, and, in agriculture, the development of animal husbandry, fisheries and forestry lagged behind. We should exert great efforts to develop light industry, increase patterns and variety, and create more brand-name products to meet the growing demands in the people's lives. We should also continue to rationalize the agricultural structure, strive to develop animal husbandry, aquatic products and forestry, and gradually increase their proportions. In line with the requirement for developing a planned commodity economy, the province as well as various prefectures, cities and counties should base themselves on their own advantages and specific conditions to coordinate the relationship among agriculture, light industry and heavy industry so that production structure can become more rational.

Fourth, we should coordinate the relationship between the part and the whole, and make the part submit itself to and serve the whole. Our efforts to coordinate the relations between the various departments and the various undertakings in economic work, and even the relations between the various sections of a locality, a department or a unit are epitomized in our efforts to coordinate the relationship between the part and the whole. At present economic construction should be developed, and so should science and technology, education, culture, health, sports, and other undertakings. All localities and departments want to carry out more construction. Such a feeling and desire are understandable. However, it is beyond the capacity of our country and our people to carry out comprehensive construction and undertake all our neglected tasks. For some time in the future the growth in allocations for science, technology and education should be higher, to a proper extent, than the growth of the regular local revenue, but spending in other fields should be relatively reduced. In developing all undertakings, there is a question of demand and possibility, and a question of the part and the whole. In carrying out economic activities, some comrades set macro-control against micro-flexibility, holding that "we take care of the microeconomy, and the central authorities take care of the microeconomy, and the central authorities take care of the macroeconomy," and even acting in their own ways. This is also a problem concerning the relationship between the part and the whole. Macro-control and micro-flexibility should be related to and coordinated with each other and neither of them can be neglected. One-sided emphasis on micro-flexibility and relaxing macro-control will affect not only macroeconomic results but also microeconomic results. All localities and departments must take the initiative in maintaining unity between macro-control and micro-flexibility, and voluntarily implement the measures for macro-control in carrying out microeconomic activities. No localities, departments, or enterprises are permitted to arbitrarily undertake any projects without considering overall arrangements, to drain the state revenues by retaining more than they are entitled to or by issuing unwarranted bonuses in cash or in materials, and to carry out any businesses detrimental to macroeconomic results and social benefit.

3. Efforts Should be Made to Strictly Bring Under Control the Scale of Investment in Fixed Assets in Order to Ensure the Construction of the Key Projects

Judging from the province's situation, the scale of investment in fixed assets is still fairly large, the capital construction front is overextended, the rate with regard to completion and introduction into production of construction projects is low, and the speed of building operations has surpassed the province's capability. What we should point out in particular, is that some comrades have attempted to engage in a great deal of construction and to work on more items as soon as they witness a better situation and greater economic strength, resulting in considerable blindness in this regard. The striking indicator in this regard is that some localities have excessively engaged in capital construction for small blast furnaces, rolling mills, electric power stations, and breweries, resulting in great losses and waste. Such a state of affairs will certainly achieve no further development.

According to the arrangement set forth by the "Seventh 5-Year" Plan with regard to the two stages, we should pay adequate attention to the speed of capital construction in the first 2 years of the Seventh 5-Year Plan period, and be determined to bring under control the scale of investment in fixed assets in order to make preparations for more rapid progress in the latter 3 years of the period. In order to bring under control the scale of investment in fixed assets and to make reasonable arrangements for investment in capital construction so that it is possible to ensure the construction of key projects, we should realistically do a good job in grasping the following four principles:

First, in mapping out major and general plans, we should concentrate on ensuring the construction of key projects. In 1986, the departments concerned in the province should give a guarantee, in the fields of design, funds, materials, equipment, and labor force, to the key projects assigned by the state to the province. As for the general items of construction, we should deal with each item on its merits, divide them in the order of importance and urgency, and ensure, delay, or cancel items as appropriate. By no means should we carry them out simultaneously and in an overall manner.

Second, as for the capital construction items covered by the plans and the existing ones outside the plans, we should guarantee those within the plans and establish strict restrictions regarding those outside the plans. Localities and the departments should strictly implement this principle in line with the scale set forth by the state and the provincial authorities regarding the investment in capital construction. By no means should they expand their construction scale arbitrarily, upgrade their construction standard, and reform the content of their construction. Otherwise, we should determine which leading personnel are to blame for the wrongdoings. In particular, we should bring under strict control the capital construction items covered by the plans, the funds for which are raised locally. This comprises the following six tasks: 1) The provision of getting a 10-percent increase in the targets of self-raised investment should be suspended temporarily. 2) Except for carrying out capital construction among middle and elementary schools, the scale of all self-raised investment in construction, which are covered by the "five prohibitions" should be put under strict control. 3) The financial departments should strictly examine the self-raised funds and determine whether they have come from the right areas, and should not allow the circulation funds of enterprises, the funds for dismantling the old and carrying out renovations, and the funds for business expansion to be used for carrying out capital construction. 4) All self-raised funds should be deposited in the construction banks 6 months ahead of the schedule of the building operation. 5) We should bring bank loans under strict control and not allow the loans to be used as self-raised funds in building capital construction projects. 6) As for self-raised investment in capital construction projects, we should collect construction taxes in line with the provisions and strictly prohibit units from engaging in capital construction items outside the plans.

Third, in carrying out both production and nonproduction construction, we should increase the proportion of investment in production construction and adequately curtail the proportion of investment in nonproduction construction. Generally speaking, at present, the proportion of investment in production and nonproduction construction throughout the province is 50 percent each, resulting in excess investment in nonproduction construction. This is because we have consciously repaid much of our former debts and have increased the proportion of investment in nonproduction construction because of the rebuilding programs after the Tangshan earthquake. However, the 50 percent proportion with regard to investment in each of the two fields of construction is unusual, and we should adequately curtail the nonproduction figure. In carrying out the construction of production projects, attention should be paid to successfully dealing with the relationship between the work of enforcing the open policy and that of conducting reforms. Efforts should be made to exert more efforts to conduct rebuilding, renewal, and reforms; to follow the road of expanding reproduction by taking the work of conducting reforms as a main task; and to strictly prohibit those that have carried out capital construction by making use of the programs of renewal and renovations.

Fourth, we should base ourselves upon the long-term projects, and pay attention to the immediate ones. To successfully prepare for the vigorous economic development in the 1990's, we should, from now on, have our eyes on the reserve strength; should pay attention to the feasibility study and appraisals of the projects that will be built in the future, focusing on light, textile, energy, communications, and raw materials industrial projects; should conduct appraisals for the production plans, natural resources, environmental protection, sources of funds, economic efficiency, supplies of raw materials, and other subsidiary and coordinated conditions of the projects that will be built in the future; and should set forth reports on the feasibility study of these projects. We should be prepared to begin the construction of such projects once the financial conditions are ripe.

4. We Should Attend to the Economic Strategy and Distribution on the Basis of the Province's Superiority in Natural Resources

It is our basic guiding ideology to exploit our province's superiority in natural resources, and strive to achieve a common prosperity. As far as our province is concerned, the differences [illegible] natural, social, economic and historical conditions have led to extremely uneven economic development in different areas, and the formation of different economic areas, such as plains, mountainous areas, beaches, and highland areas, each of which has its respective favorable conditions. Therefore, various localities and all trades and professions should make a conscientious analysis of their superior and inferior conditions, should make the best possible use of their favorable conditions and avoid weaknesses, should give different guidance with regard to different cases, should map out their distinctive ways to become relatively well-off, and should devise a rational strategy and distribution of the economic construction so that we can better gear our province's economic development to the characteristics of our province, can achieve the best economic and social benefit, can vitalize the provincial economy as a whole, and can achieve a universal prosperity among the people. We should define the economic strategy and distribution as well as the development emphases of the province's Seventh 5-Year Plan in line with this guiding ideology. To this end, I would emphatically put forward the following four suggestions:

1) We should continue to grasp grain production, and vigorously develop the commodity production bases.

We should firmly foster the idea that agriculture constitutes the foundation of the national economy and grain constitutes the foundation of agriculture, and should never neglect grain production. We should rationally readjust the structure of the cropping industry, and should stabilize the grain growing acreage in line with the principle of great stability and minor readjustment. All areas that are suited for growing grain must attend to growing grain. In 1986, we should strive to increase the per-yield and gross output of grain, should improve the quality of grain products, and should increase the variety of grain products. We should actively develop the diversified economy on the premise of ensuring a stable increase in the gross grain output.

Building commodity production bases and carrying out intensive farming are effective ways to change this situation. Beginning in 1986, we should gradually build four commodity production bases. The first one is the corn production base in the eastern part of the province. The planning for this base has already begun and we will benefit from this base next year. The second one is the cotton production base in Heilonggang area. Continued efforts should be made to reduce the cotton growing acreage in some grain producing areas in Tangshan, Langfang, and Baoding in order to gradually consolidate the cotton growing acreage in the Heilonggang area. The third one is the grain production base, focusing on wheat, in the plans along the Beijing-Guangzhou railway. The fourth one is the vegetable production bases in the outskirts of large and medium-sized cities and in the counties around these cities. To successfully build these commodity production bases, people's governments and economic departments at all levels should break with the barriers between different administrative divisions and departments, should develop the lateral and vertical cooperation, should clear the commodity circulation channels, should improve the service network, and should systemize the services of scientific research, seed breeding, production, processing, purchasing, transport, storage, marketing, and information.

We should stress economic development in the mountainous, coastal, and plateau areas during the "Seventh 5-Year" Plan period. There are three reasons for this: First, the mountainous, coastal, and plateau areas cover 65 counties whose total area and population account for 60 percent and some 30 percent, respectively, of the province's total area and population.

The economic situation there is backward. Approximately 20 to 30 percent of the peasant households in the remote mountainous areas, old revolutionary bases, and plateau areas, in particular, have not yet solved their food and clothing problems. It will be difficult to vitalize the province's economy if we fail to make these areas free from poverty and help them become prosperous. Second, the mountainous, coastal, and plateau areas are rich in resources. Our province has various kinds of mineral deposits and forestry, fruit, livestock, and aquatic product resources and most of them are found in the mountainous, coastal, and plateau areas. Because of a lack of technology, these resources have not yet been fully developed and utilized. These natural resources are our hidden favorable conditions. As long as we combine the favorable conditions of the province's technology and funds with that of the natural resources in the mountainous, coastal, and plateau areas, and promote mutual support among them, it will be possible for us to vigorously promote economic development in the mountainous, coastal, and plateau areas and to promote great economic development in the province. Third, successfully tackling the economic problems in these areas will enable us to fundamentally improve the ecological environment of Hebei Province, reduce natural disasters in the plains, and make the capital cleaner. In developing the mountainous, coastal, and plateau areas, we should vigorously organize scientific and technical workers to go to these areas, strive to conduct technical education, accelerate the development of communications and transport, and vitalize the circulation channels in these areas. This is a key to accelerating economic development in the mountainous, coastal, and plateau areas.

In order to enable the people throughout the province to become rich in general, we should exert vigorous efforts to develop township enterprises. In line with the policy of vigorously supporting, rationally planning, and correctly guiding the development of township enterprises and strengthening management over such work, we should operate township enterprises in line with local resources, serve agriculture, and give priority to developing the processing industry focusing on farm and sideline products. On the premise of observing the state stipulations and protecting natural resources, we should actively develop small-scale mining and building materials industries. We should follow the road of integrating trading, industry, and agriculture; comprehensively utilizing natural resources; and developing the processing industry in an effort to increase output value and to become rich. In the course of developing township enterprises, we should pay attention to making overall planning, strengthening macroeconomic guidance, depending on our own accumulated funds, acting according to our capability, and guarding against blind actions. We should strictly control the development of some products for which a ready market cannot be found and the construction of some projects that cannot yield good economic results.

2) We should give priority to developing the light and textile industries and strive to increase the production of consumer goods.

Our province has rich raw materials and a good foundation for developing the light and textile industries. These favorable conditions have enabled the province to achieve rapid results and good benefits with little investment in the light and textile industries. Therefore, we should continue to implement the policy of "giving priority to six fields," and greatly develop the light and textile industries. We should give priority to grasping five major industries, including the textile, foodstuffs, animal feed, ceramics, and pharamaceutical industries.

In the textile industry, we should readjust the production plans and the product mix. While developing 100 percent cotton products, we should actively expand the production of chemical fabrics, woolen textile products, silk fabrics, and blended textile products. On the basis of reprocessing products, we should strengthen dyeing and after-treatment, speed up technical transformation and promote improvements in the quality of products. In the overall arrangements, the textile enterprises in Shijiazhuang and Handan Cities have attended to grasping comparatively complicated techniques such as intensive processing, dyeing, and after-treatment of products; developed high-grade export products; transferred replaced old equipment to the cities and towns in the cotton producing areas in Heilonggang; closely integrated cotton production with processing; and gradually formed a multitiered and multifeatured production pattern. Zhangjiakou City should stress the development of woolen and flax textile fabrics. Chengde City should stress the development of silk fabrics, and Baoding City should stress development of chemical fabrics and textile products for decorative use.

In the foodstuff industry, we should emphasize the development of basic raw materials, expand production spheres, and produce traditional, instant, and high-quality foodstuff. In the production of wines, the emphasis should be placed on improving quality and increasing the proportion of fine-quality wines. At the same time, we should greatly develop the production of beverages and canned foods.

In the processing of animal feed, we should make the best use of our rich resources of corn, cake dregs of oil-bearing crops, straw, industrial waste residues, and food leftovers to process and utilize them comprehensively. In particular, we should greatly develop compound feed. We should stimulate the development of livestock breeding with the development of animal feed in order to increase the production and supply of meat, eggs, and milk.

In the ceramic industry, we should change the structure of ceramic products in line with the changes in the demands of domestic and foreign markets, greatly develop the ceramics for industrial, sanitary, gardening, and daily use, improve the grades and quality of products, and expand domestic and domestic markets.

In the medical industry, the emphasis should be placed on the pharmaceutical production of a group of key enterprises, such as the Huabei Pharmaceutical Factory, and on the consolidation and improvement of small plants. In the production of medicinal herbs, we should give play to the advantage of the Anguo medicinal herb production base, greatly develop the processing of medicinal herbs, and turn Anguo Country into a medicinal herb production and distributing center of north China.

3) We should expedite the production of energy, communications industry, raw materials, and machinery and electronic industries, and increase the reserve strength for the economic take-off of the 1990's.

Production of coal and electricity should be the major fields in the development of energy. In coal production, it is necessary to intensify the prospecting of resources, do a good job in the construction of local collieries and the collieries whose products are distributed under the unified state plan, and expand their production capacity. In the production of electricity, the emphasis is to continue construction of, expand and newly build some powerplants, and to successfully carry out the subsidiary projects for the powergrid in order to increase power transmission and transforming capacity.

In the raw material industry, we should emphasize the production of the metallurgical industry, building materials, and basic chemical materials. In the metallurgical industry, we should mainly pay attention to the reconstruction and expansion of Tangshan, Xuanhua and Chengde iron plants, and the technical transformation of Handan Iron Plant in order for them to have the ability for a basic mutual-complementary and comprehensive production. In the building material industry, the emphasis is to reconstruct and expand small cement plants of Handan, Qixin, and some prefectures, cities, and counties, do a good job in the early-state preparations for the second-phase construction of the Jidong Cement Plant, and complete the Zinhuangdao float glass production line. In the meantime, we should encourage the masses to mine marble with great efforts, and process it in a centralized method in order to satisfy the demands of domestic and foreign markets. In the chemical industry, we should emphasize the production of basic chemical materials and refined chemical products, increase the production of the products in short supply, and enhance the competitiveness of products.

In transportation, we should stress the development of road transportation, successfully enable roads to share the transportation burden of railways, and improve the efficiency and quality of transportation. The focus of road construction should be placed on the areas with poor transport conditions, such as Taihang Shan, Yan Shan, and plateau areas, so that the commodity economy of these areas can be developed.

The development of machinery and electronic industries should be geared to the needs of textile and foodstuff industries, animal feed processing, the processing of farm and sideline products, and the mining activities of the masses. Priority should be given to manufacturing small, multifarious, flexible, and applicable machines and equipment urgently needed by our province. In the electronic industry, we should mainly improve its ability for comprehensive production, increase the production of basic and component parts and electronic materials, develop computer software and hardware, and promote the modern management of enterprises.

4) We should make the best use of and develop our advantage of being near to Beijing and Tianjin.

We must fully understand and utilize the advantages of Beijing and Tianjin, take the road of "relying on and serving Beijing and Tianjin" as Langfang did, and take the initiative in entering the radiation circle of the economy and technology of Beijing and Tianjin. We should emphasize two aspects. First, we should establish various forms of associations of scientific research and production and, through them, we should draw the technology, talented personnel, funds, and equipment to transform our traditional production, open up new production spheres, upgrade our technological level, and develop the productive forces of our province. Second, we should make the best use of the two great markets of Beijing and Tianjin, and try all possible means to export more of our farm and sideline products to Beijing and Tianjin and serve the production and lives of the people of Beijing and Tianjin. Zhangjiakou Prefecture should be gradually turned into a nonstaple food production base for Beijing, and other prefectures, cities, and counties neighboring Beijing and Tianjin should also strive to establish long-term and stable relations with them to supply them farm and sideline products. Cities and towns near Beijing and Tianjin should focus on the processing industries in the service of Beijing and Tianjin, and strengthen cooperation and association with them so as to enter the Beijing and Tianjin markets.

5. Great Attention Should Be Attached to the Use and Cultivation of Qualified Personnel

Economic construction, social development, and scientific and technological advancement all depend on the use and cultivation of qualified personnel. The major problems at present are that qualified personnel cannot meet the needs of and coordinate with economic development; and that the available qualified personnel are not sufficient; and structure of qualified personnel are not sufficient; and structure of qualified personnel and education is not rational; and the cultivation of middle-grade qualified personnel, in particular, remains to be a weak link. Next year and even in the entire "Seventh 5-Year" Plan period, we should base ourselves on both the immediate and long-term interest to readjust the distribution of qualified personnel and the structure of education in line with the needs in economic construction, bring into better balance the relations between the various sectors, and conscientiously make a success in the use of available qualified personnel and the cultivation of new qualified personnel.

We should make proper use of the available qualified personnel so that these personnel as well as their talents can be turned to best account. First, we should start from the restructuring of the scientific and technological system and the elimination of the two "common big pots" to further solve the problem that scientific and technical personnel are improperly placed and cannot fully play their role. Scientific and technical personnel should go out of their offices to popularize new technologies through the establishment of various forms of scientific research-production associations. We should also select fine scientific and technical personnel to replenish enterprises in a planned manner, and send them to the forefront of production to tackle technical difficulties and serve economic construction. Second, we should organize with great efforts various categories and levels of scientific and technological administrative departments, research organs, higher educational institutes, national defense and scientific and technological information units to popularize science and technology. We should introduce the scientific and technological achievements and the knowledge and information that are applicable and can yield better and quicker results to small and medium-sized enterprises, township enterprises, cooperative associations, and specialized households, especially to mountainous, coastal and plateau areas, and other economically and technologically backward areas. Third, we should open our door wide to bring in qualified personnel from Beijing, Tianjin, and other areas through various measures, such as contracts, transfer on a temporary basis, offering and training, and should enable them to serve the economic development of our province.

We should exert all-out efforts to train new talented personnel. At present, our province requires, urgently and chiefly, peasants who have mastered certain specialized technology, workers who have knowledge concerning intermediate technology, and technical personnel who have specialized secondary education technical standards. At present, emphasis on training talented personnel should be on the work of developing vocational and technical education as well as the education for training teachers. First, we should adopt various ways and means to develop full-day agricultural and vocational middle schools, and schools for staff members, workers, and technical training at all levels; and should do a good job in carrying out regular vocational and technical education. Second, a good job should be done in holding short-term training classes of technology and professions. Efforts should be made to organize and train a million people, including graduates of senior and junior middle school, retired military officers and armymen, and various skillful craftsmen, in line with the local strong points in natural resources and local need. Third, a good job should be done in carrying out the education for training teachers in order to produce more qualified teachers. Efforts should be made to adopt a far-reaching and strategic attitude toward the education for training teachers, to make all-out efforts to successfully operate teacher's colleges and schools at all levels and the colleges and schools in charge of training classes for teachers, and to give preferential treatment in the fields of investment, funds, teacher supply, and equipment to these colleges and schools. In particular, a good job should be done in opening schools of training teachers at the county level, and in increasing investment and expanding the scale in this regard step by step, in order to lay a good foundation for making elementary education universal.

6. Leading Personnel At All Levels Must Master the Methods of Administrative and Financial Management

Even though our province has achieved a basic turn for the better in financial affairs over the past few years, it still lacks financial resources.

Therefore, we must uphold in a long-term manner the principle of conducting self-reliance, launching arduous struggles, and building the country and doing everything industriously. This principle has a special significance to the principal leading personnel who have been newly promoted to the government organs at all levels and have not studied well the methods of administrative and financial management. These new leading personnel also do not know well how to obtain financial resources and how to spend the funds adequately. Such a state of affairs must be changed resolutely. Efforts should be made to foster the idea of being masters of the country by managing financial affairs, to work out the ways to make money, collect money, and use the money, and to vigorously increase production and open more financial resources. We should further enhance the work of tax revenues, vigorously prevent tax evasion, and do a good job in encouraging the counties that have received state subsidies to switch their losses to profits. Efforts should be made to resolutely maintain a balance between revenues and expenditure, keep expenditure within the limit of incomes, collect all the money that should be collected, spend well all the money that should be spent, and refrain from spending the money that should not be spent. In doing everything, we should also conduct careful calculation and strict budgeting, practice strict economy, resolutely oppose extravagance and waste, and do much work with the limited financial resources in order to spend the money on the actual necessity and to achieve a still greater efficiency.

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BEIJING NOTES CHANGES IN PEOPLE'S CONSUMPTION LEVEL

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[Text] During the Sixth 5-Year Plan period, three new changes took place in the consumption level of the masses, which showed that the living standards of the people is improving every year.

The first change is that the order of retail sales of consumer goods has changed from the past sales of foodstuffs, daily necessities and clothing to the present sales of daily necessities, foodstuffs, and clothing. In 1980, the sales of foodstuffs ranked first in the retail sales of consumer goods, with daily necessities second, and clothing third. This year, the sales of daily necessities ranked first with foodstuffs and clothing following. This change shows that the people in the capital, after solving the clothing and food problems, are concentrating greater purchasing power on the purchase of daily necessities.

Another change is that the dresses of the people have changed from wearing one dress in several seasons to wearing several dresses in one season. According to the statistics released by the municipal First Commercial Bureau, in 1980, superior quality clothing made of wool, silk, and satin accounted for only 20 percent of the total sales of clothing. This year, the sales of quality clothing have jumped to some 30 percent. At present, the Changcheng-brand and Dadi-brand raincoats, and the (Yililan)-brand down coats as well as long boots, leather jackets, and woolen clothing and other middle- and high-grade dresses being sold in the markets are in great demand.

The other change is that household electric appliances have become products sought by the broad masses of consumers. Compared with 1980, except for the sales of watches and bicycles, the sales of sewing machines, one of the three old major products, began to decline. Household electric appliances, which are the new major products, have become products in great market demand. The sales of such products showed an increase of 100 percent. This year, the sales of television sets, and cassette recorders by the municipal commercial departments have increased by 100 percent and 200 percent respectively over 1980. The sales of washing machines have increased by 400 percent, and that of refrigerators, which have increased most greatly, have increased by 11 times.

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HEILONGJIANG SECRETARY ADDRESSES CPC WORK CONFERENCE

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[Text] The Heilongjiang Provincial CPC Committee work conference which lasted for 4 days, concluded on 23 December. Implementing the guidelines of the National Conference of Party Delegates, the conference summed up the work of 1985, and worked out plans for the provincial work of next year.

Attending the conference were secretaries of various city, prefectural, and county CPC committees, and major responsible persons of various provincial departments, committees, offices, sections, bureaus, farms, and forestry, industrial and mining, and railway departments, totaling 285.

Comrade Sun Weiben, secretary of the provincial CPC Committee, delivered a report at the conference, entitled "Develop the Excellent Situation, and Strive to Win a New Victory." He said that in 1985 party organizations at all levels throughout the province have resolutely implemented the party's various principles and policies, and persistently promoted the two civilizations simultaneously, thus achieving new progress in various fields of work. While fully affirming the province's achievements in party rectification, leading body construction, the building of spiritual civilization, ideological and political work, reform of various systems, and maintaining a sustained, stable, and coordinated development of the economy, he also pointed out the difficulties and problems in the course of advancement.

On behalf of the provincial CPC Committee, Sun Weiben formulated the plan for the 1986 work in his report. He said: The year 1986 is the first one for implementing the "Seventh 5-Year" Plan. In the new year the general guiding ideology for the provincial work is to conscientiously implement the guidelines of the National Conference of Party Delegates; to promote the two civilizations simultaneously; to adhere to the strategic principle of "carrying out reform and technical transformation, opening to other provinces and the outside world, and developing resources in order to make the country and the people prosper"; to work together in high spirits; and to create a good beginning for the fulfillment of the "Seventh 5-Year" Plan.

He said: The strategic principle of "carrying out reform and technical transformation, opening to other provinces and the outside world, and developing resources in order to make the country and the people prosper" for economic, scientific and technological, and social development was put forward by the provincial CPC Committee in June 1984, at the third plenary session of its fifth committee. After more than 1 year of practice, the provincial CPC Committee held that this principle is compatible with the guidelines of the National Conference of Party Delegates and the actual conditions of our province. In 1986 and for some time afterward our province should still follow this strategic principle in carrying out its economic construction.

First, we should unswervingly carry out reform, remain clear-heads resolutely implement a series of principles and policies on reform issued by the central authorities, enhance our confidence in reform, devote ourselves to reform, and remove the obstacles on our way of advance in order to enable reform to develop soundly along a correct track.

The CPC Central Committee defined the principle of persistently stabilizing the economy in the first 2 years of the "Seventh 5-Year" Plan period. Next year our province should strive to make progress in reform while maintaining its stability in order to provide favorable conditions for a sustained, stable, and coordinated development of the national economy. We should continue to grasp firmly the central link of invigorating enterprises, large and medium-sized ones in particular, and actively promote the reforms already started in various fields while gradually improving them by eliminating what is not necessary, supplementing with what is needed, and maintaining what is beneficial and discarding what is disadvantageous. We should put more efforts in continuously bringing the relations between the various sectors into better balance, in tapping the potential of enterprises and enhancing their vigor, and in strengthening the indirect control over macroeconomic activities.

Effective measures should be adopted to invigorate enterprises conscientiously. At present the policies and measures for invigorating enterprises have been clearly defined. The key is to carry them out in a down-to-earth manner. 1) The province should organize a unified large-scale inspection on how the principle of simplifying administration and delegating power to lower levels has been implemented. The inspection should be focused on checking whether the "10 regulations on expanding decision-making power," the "10 regulations on promoting technological advancement," and the "14 regulations on enhancing the vitality of large and medium-sized enterprises" issued by the State Council, and the regulations on expanding decision-making power issued by our province have been implemented comprehensively. In this way the province can help enterprises solve problems. 2) We should make a breakthrough in sorting out and consolidating administrative companies of various categories and at various levels in order to solve the problem of withdrawing the power that should be delegated to enterprises. 3) The percentage of the profits retained by large and medium-sized enterprises should be examined conscientiously so that the regulatory business taxes levied from these enterprises can be readjusted and reduced in a planned and step-by-step manner in line with the relevant regulations of the State Council. 4) Arbitrary collection of funds and fees from enterprises should be resolutely stopped in order to solve their problem of bearing an excessive burden. 5) Coordinated reforms carried out by each enterprise should be deepened, with the focus on straightening out the mangerial system and the economic relations within the enterprise. Next year we should further consolidate and improve the system of having enterprise directors assume full responsibility, and bring the relations among the party, the administrative unit, and the trade union into better balance. We should extensively institute the system of having plant directors assume responsibility for the targets to be fulfilled during their term of office, establish appraisal methods and a reward-penalty system, and change the tendency of meting out rewards alone without punishments, or meting out handsome rewards but lenient punishments. Leading persons should enhance their competence and improve their ability to cope with changes and make policies.

We should further carry out scientific and technological and educational reforms successfully in order to promote economic construction. We should continue to implement the CPC Central Committee's decision on reform of the scientific and technological structure and, through the reform, establish a new scientific and technological system geared to the needs of economic construction and stressing economic results in order to serve the transformation of traditional production by increasing the competitiveness of products, in order to serve the development of burgeoning production by establishing a group of technology-intensive industries that have a fairly high ability to master, apply, and develop technologies, and in order to serve the revitalizaiton of the local economy by greatly popularizing applicable subsidiary technologies that yield faster returns and developing applicable new methods, technologies, and equipment to equip township enterprise and local small and medium-sized enterprises. We should organize large-scale transfer of science and technology to rural areas throughout the province, and develop the rural economy by means of technological advancement. In the meantime, we should make arrangements for a group of basic research projects on new technology that can be applied in the future in line with the need for such projects and our capacity. In this way, we can guarantee reserve strength for our province's economic construction and scientific and technological development. We should thoroughly implement the CPC Central Committee's decision on reform of the educational structure and the resolution adopted at the fifth plenary session of the fifth provincial CPC Committee. We should greatly develop secondary and primary vocational and technical education while giving prominence to the development of normal education. We should further readjust the proportions of regular colleges, special colleges, and secondary specialized schools, and set up the specialities that our province does not have but urgently needs. The enthusiasm of various levels for running schools should be aroused through various measures in order to make a success of television universities, spare-time universities, and adult education. Unified plans should be worked out to popularize the 9-year compulsory education by stages and in groups. We should pay attention to clearing the channels through which talented people can go to rural areas.

We should continue to make the various rural reforms successful, deeply implement the defined rural policies of the party, improve the cooperative economic system and the commodity circulation system, do a good job in rendering socialized service, and promote the readjustment of the production structure. We should change unified and assigned purchases into contract purchases so that the production and purchase of agricultural products will be controlled by contracts. We should continue to consolidate and develop the family-based output related production responsibility system and encourage the development of specialized households and various kinds of economic associations. The time period for contracted lands should be stabilized at 15 years or more and the time period for the utilization of private plots should be readjusted and generally extended to 15 years. While readjusting the rural production structure, we should continue to conscientiously implement the principle of "not relaxing crop cultivation while diversifying the economy," and supplement our superiority in terms of (grain) with (township enterprises and diversified undertakings). Meanwhile, we should do a good job in the reforms of the supply, marketing, and credit systems, and pay attention to studying and grasping reform in the state farms.

Macroeconomic control is an important aspect of reform. Next year, we should focus our work on controlling the allocation of funds not covered by the budget, while reducing the scope of investment in the fixed assets; controlling the institutional purchasing power while reducing the expenditure on administrative funds; and controlling the issuance of bonuses while reducing the expenditure on consumption funds. We should strengthen the work on overall balance, guard against carrying out construction projects in a blind way or carrying out duplicate construction projects, and strengthen management in various trades. The essence of strengthening macroeconomic control is to correctly use the economic lever. The financial, banking, tax industrial, commercial, and pricing departments should formulate methods that are conducive to macroeconomic control and vitalizing enterprises.

Second, we should score new achievements in technical transformation. The proposal of the central authorities on the Seventh 5-Year Plan has pointed out that it is necessary to carry out technical transformation and to rebuild and expand the construction of the outdated enterprises on the basis of the existing foundation, for this is the basic way to accelerate the modernization of the national economy. Our province was one of the old industrial bases during the "First 5-Year" Plan period. At present, problems with regard to outdated equipment and backward methods are very prominent. Technical transformation has become all the more pressing. Next year's provincial technical transformation work should be focused on further implementing the overall plan and, on this basis, working out technical transformation plans for industrial enterprises and other trades. The emphasis of the province's technical transformation should be placed on the large and medium-sized enterprises that have a vital bearing on the overall situation of the province's economy, on key enterprises that can play an exemplary and vanguard role in the technology of the various trades after innovation, and on those enterprises that are undertaking export tasks.

The technical transformation of enterprises should be integrated with foreign economic cooperation. It is necessary to properly adopt advanced technology and import funds. The imported items contracted this year should be completed as soon as possible in order to put them into production and make them yield benefits at an early date. We should digest and absorb the technologies that were imported and put into production years ago, and should blaze new trails so that they can yield better benefits. Enterprises that are not undertaking large-scale technical transformation tasks (including collective and township enterprises) should also carry out small innovations and should not just wait for assigned tasks. Like the Jiamusi coal mining machinery plant, we should pool the wisdom and efforts of all; mobilize all workers to raise rational suggestions; encourage engineers, technical workers, and veteran workers to offer plans; update equipment and technology; improve product quality; reduce materials consumption; and increase economic results.

The agricultural, animal husbandry, and forestry fronts should also carry out technical transformation with modern scientific means. Next year, these three fronts should make greater progress in improving the per unit area yield, establish and improve systems of popularizing fine strains of crops and animals, and raise the economic results. The province as a whole should define the present and long-term key joint research projects. Next year, we should grasp two or three pilot counties for carrying out technical transformation in the agricultural, animal husbandry, and forestry spheres.

Third, we should make new progress in development. Our province has rich natural resources, mineral deposits, lands, grasslands, forests, and water areas for further development. The principle of "carrying out reform and technical transformation, opening to other provinces and the outside world, and developing resources" put forward by the provincial CPC Committee includes not only the development of natural resources but also the development of production, products, and competent personnel. Therefore, we should strive to rely on our own efforts to speed up development under the situation of receiving no investment or small investment from the state. We should study and formulate relevant policies and measures and fully boost the enthusiasm of all quarters.

In developing natural resources, we should first do a good job in geological prospecting -- the pioneering work for the development of natural resources. Second, we should ensure smooth progress in the key state and local coal and timber production projects and the related local railway construction projects. Third, we should vigorously sign contracts on rural developmental production, establish specialized households and groups for developing natural resources, develop and build the mountainous areas, afforest the land, and develop fishery and animal husbandry production. Areas where conditions permit may appropriately increase their farming acreage. While developing natural resources, we should pay attention to protecting and cultivating the natural resources in order to maintain an ecological balance.

In developing new industries, we should focus our work on grasping the purchase and sales of Daqing ethylene products and develop township enterprises. Meanwhile, we should also develop the tertiary industry. Petroleum and chemical plants and township enterprises will be the two major points for vitalizing the province's economy; therefore, we should pay great attention to them. Next year, our province's township enterprises should persist in adapting measures to local conditions and should continue to make new progress. Their direction of development is to persist in serving agricultural production, major industrial support projects, and the livelihood of the people. We should shift the work focus of township enterprises on processing farm and sideline products, develop the building materials and mining industries and some industries and products that yield high profits and have the characteristics of Heilongjiang, and gradually display the superiority of the products produced by the township enterprises. We should also vigorously develop village-run, collectively-run, and household-run enterprises. The existing township enterprises should be further consolidated and changed from being run by the government to being run by the people. We should also grasp the work of making cities support township enterprises. The urban and rural areas should actively develop the tertiary industry, and place their work focus on developing the communications, telecommunications, tourist, commercial, catering, and service trades, and make them serve production and the livelihood of the people. The proportion of the province's tertiary industry should gradually be coordinated with the primary and secondary industries.

In the development of new products, we should focus our attention on developing marketable and good-quality but inexpensive products and new products suitable for export in line with the province's development of natural resources and technical transformation. The major points of our work should be on grasping the development of machinery, electric, petroleum, and chemical products and the comprehensive utilization of timber, as well as the development of flax, woolen, and chemical fiber fabrics, foodstuffs, animal feed, and building materials. In technological development, we should pay attention to the development and application of microelectronic technology, biological engineering technology, new energy sources, and new materials.

In the exploration of talented people and intellectual sources, we should further implement the policy concerning intellectuals, use the available specialized scientific and technological personnel of various specialities in a rational manner, and adopt preferential policies to widely recruit specialized personnel through advertisement and examination. At the same time, we should be willing to carry out intellectual investment, and trained qualified personnel at various levels through various channels. Training of cadres should be carried out successfully. In particular, the training of managerial cadres should be strengthened, and efforts should be made to enable at least 20 percent of the managerial cadres to receive rotational training next year. After attending "two classes to make up for missed lessons," staff members and workers should be trained in vocational skills, be appraised, and have their wages readjusted. In the development of intellectual sources in rural areas, the emphasis should be placed on popularizing scientific and technological knowledge and education among peasants, establishing and improving peasant education networks at every level, and equipping peasants with modern agricultural science and technology.

Fourth, we should take a new step forward in opening to the outside world. As a border province, our province lags behind others in its development; lacks funds, technology, and managerial experiences; and is rather inaccessible to information. Therefore, only when it makes a unified use of domestic and foreign funds and resources, opens up domestic and foreign markets, and makes up for its deficiencies by using the strong points of others can it speed up the pace of the four modernization.

We should expand lateral economic ties. The doors of cities, trades, enterprises, and scientific research units should be opened wide to develop multi-layered and multi-faceted joint ventures and cooperative production, and establish an open economic network. The functions of central cities should be fully carried out.

We should further relax the control over markets to enliven circulation. We should continue to expand the markets of consumer goods; operate various comprehensive and specialized trade centers successfully; actively develop markets of farm products and minor commodities, trading companies, and trading warehouses; and work out policies to encourage state and collective units as well as individuals to participate in commodity circulation while making state units play their role as major channels. State commercial units should play a leading role especially in the supplies of grain, durable consumer goods in short supply, such nonstaple foods as vegetables and pork which bear on the people's lives, and minor commodities. We should vigorously develop markets of capital goods for production, and conscientiously operate material trade centers of various categories. We should allow the materials not covered by plans to enter markets, and also allow enterprises to openly sell their above-quota products after fulfilling their mandatory plans. We should exert great efforts to open up technology markets, clear the channels through which scientific and technological achievements are applied to production, and promote exchanges and services with payment of new technological achievements. Under the circumstances in which the state has tightened its money supply, we should be prepared to open the monetary market, and encourage enterprise staff and workers to buy shares. We should support the practice of regions, departments, and enterprises lending money to each other. We should also study the issue of the labor market.

Earning foreign exchange through export is the key link to enlivening the economy and opening to the outside world. Great efforts should be made to develop the production of export goods, continuously improve product quality, increase the production of readily marketable products, and adopt preferential policies to encourage more exports to earn more foreign exchange. We should exert conscientious efforts to realize the production of the 10 major series of products for export next year. Beginning next year, we should regard the volume of export transactions and the volume of foreign exchange earned as mandatory plans and manage them well. We should continue to boldly import funds, talented people, and advanced technologies, and adopt various measures to absorb domestic and foreign investment. In the meantime, we should develop inter-provincial economic associations and cooperation, and make successful organization and coordination for the implementation of the projects on cooperation and association of the northeast China economic zone.

Fifth, we should make new contributions to making the country and the people rich. In the strategic principle of "carrying out reform and technical transformation, opening to other provinces and the outside world, and developing resources in order to make the country and the people prosper" put forward by the provincial CPC Committee, the so-called making the country and the people prosper has expressed our purpose and reflected the dialectical relations that only by making the country prosperous can we make the province rich, and only by making the province rich can we create good conditions for making the country prosperous and strong and the people rich.

As for making contributions to the state, we should continue to display the good traditions of "taking the whole situation into consideration, sharing difficulties, displaying superiority, and making more contributions," strive to grasp the production of the state unified delivery products and guarantee the fulfillment of the grain, coal, timber, and oil-bearing seed delivery tasks and the financial and tax revenue tasks. We should exert efforts to grasp the state key projects in our province.

As for making the people prosperous, we should encourage some people to become rich ahead of others and strive to have them achieve common prosperity. We should conscientiously arrange for the livelihood of the people. All large and medium-sized cities should persist in doing a few good things for the people every year and develop educational, cultural, sports, medical, public health, and public communications undertakings as well as other social welfare undertakings. We should earnestly and meticulously conduct wage reform among enterprises. At present we should help the poverty-stricken border areas, and the mountainous and minority areas and support them to strengthen their ability in achieving economic independence. This year many areas in the province have suffered from serious natural disasters. We should actively organize the disaster-stricken masses, help them find production avenues, and encourage them to overcome difficulties through self-reliance. We should estimate the standards of prosperity of the peasants in a fact-seeking manner and try in all possible means to reduce their burdens. It is necessary to strictly control market prices and ensure that the market prices are basically stable. Furthermore, we should pay attention to the building of small towns.

To make greater contributions to the state and to improve the livelihood of the staff members and workers, we must rely on the economic results of enterprises, and an important way of improving economic results is to strengthen enterprise management. We should improve the management level of enterprises and strive to ensure that next year the state industrial enterprises will increase profits by 15 percent or more and that the money-losing enterprises will reduce deficits by 30 percent or more. The average per-capita income of the rural people should be 10 percent higher than this year. We should adopt preferential policies to support those counties which have received financial subsidies to gradually become self-supporting in 3 to 5 years.

While attending to work this year we should formulate the "Seventh 5-Year" Plans for the province and various cities, prefectures, and counties in line with the guidelines of the central proposal concerning the "Seventh 5-Year" Plan. On the basis of studying economic development strategy, we should also formulate a long-term plan which integrates economic development with scientific, technological and social development.

In his report Sun Weiben said: The general demands of building the socialist spiritual civilization in the province in 1986 should be: Conscientiously implementing the guidelines of the central leading comrades at the National Conference of Party Delegates, attending to party rectification, vigorously strengthening ideological and political work, and achieving remarkable improvements in the party style, social habits, social order, and social security.

First, we should do a good job in party rectification from start to finish. Units which have completed party rectification should first "review their past experiences," and then lead the party members and the masses to comprehensively view the previous stage of party rectification, to distinguish between the principal and secondary aspects, to clearly understand the essence and appearances, to affirm achievements, and to strengthen confidence. The ongoing county-level party rectification should be carried out in line with the demands of running the party strictly. It should not be carried out in a perfunctorily manner. In carrying out the rural grassroots party rectification which will begin very soon, we should implement the guidelines of the central "circular," give careful guidance, and conscientiously assume responsibility. Improvement of party style is both an important task of party rectification and an important content of the current party building. Judging from the present situation of party style, CPC committees at all levels must focus their energy on improving party style because it is far from being fundamentally improved. First of all, leading persons should take the lead; secondly, a responsibility system applied to the improvement of party style should be established at every level; and thirdly, inner-party democratic life should be strengthened and improved to make criticism and self-criticism a regular practice. All localities should carry out a large-scale inspection of party style and work out plans for fundamentally improving it within 2 years. To improve party style, we should pay close attention to education on party spirit and the strict enforcement of party discipline. We must resolutely eliminate the persons who violate law and discipline to a serious extent and refuse to mend their ways despite repeated admonitions so as to educate the whole party. CPC committees at all levels should exert great efforts to grasp the ideological and organizational building of the party in order to enhance the political consciousness and vocational competence of party members.

Second, we should further strengthen ideological and political work. How to enable party members and the masses to resist the corrosive influence of bourgeois ideas under the new circumstances of reform, opening to the outside world, and enlivening the domestic economy and to become new people with ideals, moral character, education and a sense of discipline is a major issue bearing on the future and the destiny of the party and the state. At present we should emphasize and properly handle the following three aspects: 1) We should both actively develop commodity production and prevent the capitalist principle of commodity exchange from intruding into the inner-party political life; 2) we should focus on economic results when carrying out economic construction, but must draw a clear demarcation line between the Marxist principle of material benefit and bourgeois "money worship" and "all-mighty money;" and 3) we should open our door wide, open to the outside world and learn from advanced foreign science, technology and managerial methods, but should pay attention to distinguishing and resisting bourgeois decadent ideas. Therefore, the tasks for the present ideological and political work are to uphold the four basic principles, and to carry out education on ideals, moral character, general knowledge and discipline, and on patriotism, revolutionary traditions and current situation. The propaganda and education should be carried out emphatically among party-member cadres, young students, and staff and workers.

We should conduct a thorough investigation and study of the new situation in ideological and political work and sum up the new experiences in popularizing ideological and political work. Cadres in charge of political work should pay attention to the study of the relations between various sectors of the commodity economy in order to improve the efficiency of ideological and political work, and administrative cadres should also make use of their mastery of the conditions for the commodity economy to carry out successful ideological and political work. We should intensify education on Marxist theory and foster a correct world outlook and methodology. CPC committees at all levels should formulate plans for cadres to study Marxist theory, and conscientiously make organization for their implementation. They should strengthen leadership over propaganda and cultural work. The party organization of propaganda and cultural departments should further improve their work in line with the guideline of taking social benefit as the only criterion for all their activities. We should strengthen the contingents of ideological and political workers to safeguard the authority of the ideological and political work departments. We should strengthen democracy and the legal system, and carry out the following three major tasks: 1) We should deal strict blows to various economic crimes and other serious crimes to strengthen the comprehensive treatment of public security; 2) we should strengthen democracy and the legal system, and successfully educate the masses with legal knowledge; and 3) we should establish and improve economic legislation, and ensure the smooth progress of reform and economic work in various fields with the legal system.

Third, we should further strengthen the building of leading bodies at various levels and the cadre contingents. After being readjusted in the past, leading bodies at various levels throughout the province should remain basically stable next year. We should improve the structure of leading bodies and pay attention to promoting nonparty cadres, women cadres, and cadres of minority nationalities into leading bodies. The political consciousness and vocational competence of the members of leading bodies should be strengthened, with the focus on improving their ideology, workstyle and command of theories, and strengthening the system of democratic centralism, in order for them to meet the needs in economic reform and the four modernizations. To make the building of leading bodies at various levels and the cadres' contingents successful, we must correctly understand and implement the principle of the "four requirements," and arouse the initiative of the masses of cadres. At present we should pay particular attention to arousing the initiative of the cadres in their 50's and give play to their positive role. We should not seek uniformity of age when deciding on the promotion to and removal from leading bodies of the cadres in their 50's. We should earnestly do the work concerning old cadres, show concern for their lives, help them solve numerous practical difficulties, and never "let the tea become cold when they leave." Young and middle-aged cadres should modestly learn from old cadres. Old cadres should enthusiastically help young and middle-aged cadres become worthy successors of revolutionary traditions, and support them to do their work bravely so that they can fully develop their strong points and make new contributions in their new posts. There should never be life-long posts for either old cadres or new cadres, and the third echelon should not be unalterable. All cadres should be able to assume higher or lower posts, or to enter or be removed from leading bodies as required so as to make contributions to the reform of the cadre system.

In conclusion Comrade Sun Weiben said: To successfully fulfill the tasks for next year, we should further change the leadership workstyle and improve work methods. We should establish the "three practices," eliminate the "three trends," and carry out the four modernizations with high spirits. First, we should establish the practice of carrying out arduous struggles and building the country through thrift and hard work, and eliminate the trend of seeking pleasure and going in for ostentation and extravagance. Second, we should establish the practice of stressing ideals, abiding by discipline and trying to become the advanced, and eliminate the trend of having selfish ideas, lax discipline and plenty of complaint. Third, we should establish the practice of taking the overall situation into account, stressing unity and vying for more contributions, and eliminate the trend of vying with each other for higher positions and better wages and taking the higher positions and wages of others wrongly. In this way everybody will work together in high spirits and work vigorously in a creative manner for the fulfillment of the various tasks of the party. Leading organs should change their workstyles and improve service. Provincial organs should take the lead in overcoming the bureaucratic workstyle of not going deep into the realities of life, conducting no investigation and study, and showing no concern for the hardships of the masses; the formalism of not doing work in a down-to-earth manner and pursuing only "flourishes;" and the lazebones' way of thinking of using neither their hands nor their brains, mechanically copying and transmitting whatever from higher levels, and paying no attention to the problems of the lower levels. Beginning next year all departments, committees, offices, sections and bureaus directly under the province should select one or two money-losing enterprises or poor counties, townships or villages in the rural areas as their liaison points, and go there frequently to conduct investigations and study in order to understand their situations, solve their problems, and help them change their features. They should do so on a contract basis. Leading cadres at all levels should exercise control over and assume the responsibility for the overall situation and concentrate efforts on handling conscientiously the key, major issues which have a bearing on the whole.

Chen Lei, chairman of the provincial Advisory Commission, spoke at the conference. Hou Jie, deputy secretary of the provincial CPC Committee, gave a speech to sum up the conference. Liu Chengguo, deputy secretary of the provincial CPC Committee, delivered a report on strengthening leadership over rural party rectification work.

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YUNNAN STATISTICS BUREAU REVIEWS ECONOMY

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[Report: "Yunnan's Situation in the National Economy is Encouraging--Provincial Statistics Bureau Publishes Round Up on the Province's Economic Condition"]

[Text] The Provincial Statistics Bureau has published a roundup of the province's economic situation for 1985. In the year 1985, our province further implemented the principle of opening up to the outside world and invigorating the domestic economy, stepped up the process of the reform of the economic structure, and thus brought about a new economic situation featuring steady, stable, and harmonious development. The Sixth 5-Year Plan has been fulfilled ahead of schedule. Production and construction are developing comprehensively, urban and rural markets are prosperous and brisk, financial revenue has increased by a wide margin, and the people's livelihood continues to improve.

In 1985, due to frequent natural disasters, the province's grain output is expected to drop by around 5.5 percent as compared with that of the previous year. Despite the decrease, the output will still be comparable to that of past good harvest years. In the wake of the further readjustment of the production structure in rural areas, the production of industrial crops has been developing rather rapidly, the growing area has increased by 33.9 percent over last year while its proportion to the total sowing area for all crops has risen from 8.7 percent in last year to 11.6 percent in 1985. The output of major industrial crops has increased by a wide margin, of which the output of flue-cured tobacco is estimated at 8.2 million dan, an increase of 49 percent over last year; that of sugar cane is estimated at 95 million dan, an increase of 25.7 percent over last year; and that of tea is to amount to 600,000 dan, an increase of 6.5 percent.

As a result of the development of the rural economy and the rise in agricultural labor productivity, the year's gross agricultural output value will increase by 8 percent over last year. This year witnessed an overall development in farming, forestry, animal husbandry, sideline production, and fishery. The output value of forestry, animal husbandry, sideline production, and fishery, which accounted for 44.2 percent of the gross agricultural output value last year, has been raised to account for 47 percent in 1985.

In 1985, the peasants' enthusiasm for breeding livestock was kindled and animal husbandry was boosted because the authorities in various places earnestly implemented the documents concerned issued by the central authorities, the system of the fixed purchase of hogs was abolished, and the restrictions on the prices of animal products were lifted. It is estimated that the number of draught animals on hand has increased by 257,000 head, the number of sheep has increased by 100,000 head, and the number of slaughtered hogs increased by more than 500,000 head, with the slaughter rate raised.

The province's gross industrial output value for 1985 is expected to amount to 12.3 billion yuan (calculation based on 1980 fixed prices), an increase of about 13 percent over last year. Of this gross industrial output value, the light industry output value increased by 15 percent over last year, the heavy industry output value increased by 11 percent over last year, and the ratio between light and heavy industry was 50:50. In 1985, the province did quite well in energy production. During the period from January to November, a total of 14.83 million tons of raw coal were produced, an increase of 9.3 percent over the same period last year; electricity generation totaled 6,834,000,000 kilowatt-hours, an increase of 8.3 percent, of which hydroelectric power increased 15.6 percent; and the shortage of coal and electricity which the province had been faced with for the past few years began to be eased. The supply of color television sets, family-size refrigerators, and sewing machines which had been in great demand has been doubled, the output of the province's well-known products such as cigarettes, sugar, and so on has increased very fast, and the production of other foodstuffs has also developed pretty fast. Meanwhile, the rise in the output of some consumer goods for daily use has also played an active role in guaranteeing market supplies. During the period from January to November, the output of 82 products among the 110 major industrial products increased as compared with the same period last year. The annual quotas for half of the 60 major products subject to test according to the state plan were fulfilled 1 to 5 months ahead of schedule.

In 1985, the province did a good job in communications and transportation. Under the circumstance that the unmarketability of phosphate ores led to a decrease of 1.5 million tons in the export of the ores, the volume of rail freight still managed to maintain last year's level. As for highway transport, with state-run companies as the backbone and collective and private transport companies as auxiliaries, the transport market was prosperous and passenger transport has also developed rapidly. In addition, the province has set up a local Yunnan airline company and opened three new airlines within the province.

Economic results have been improved in the wake of the gradual enforcement of the reform of the economic structure, the constant implementation of the policies and measures centering around the aim of invigorating enterprises, the gradual in-depth development of the reform within enterprises, and the satisfactory fulfillment of technical transformation in some enterprises. During the period from January to November, all state-owned industrial enterprises covered by the state budget in the province continued to develop along the healthy track of "four simultaneous" growths. Both the profits and the product sales tax payments increased by 23.6 percent over the same period last year, the profits tax increased by 21.3 percent, and the product sales revenue grew by 18.8 percent, all exceeding the growth rate of the gross industrial output value. Meanwhile, the turnover of circulating funds was also increased as compared with the same period last year. The labor productivity of state-owned industrial enterprises was raised by [word indistinct] percent over the same period last year.

In 1985, the province recorded an enormous quantity of and a wide growth margin in the total value of retail sales of commodities which had seldom been recorded for many years. During the period from January to November, the total value of retail sales of commodities amounted to 7,351,000,000 yuan, an increase of 1.51 billion yuan or 25.9 percent over the same period last year. Of this total value, the value of retail sales of consumer goods attributed to the residents in the province grew drastically by 29.7 percent, reflecting the growth in the residents' purchasing power and the improvement of the livelihood in both urban and rural areas. Among such consumer goods as foodstuffs, clothes, and articles for everyday use, the sales of high-grade durable consumer goods grew most rapidly--the growth margin in the sales of television sets, recorders, refrigerators, and washing machines were all above 60 percent; the growth margins of the sales of knitting wool, woolen garments, wool fabric, and silks and satins were pretty wide; and the sales of high-quality confections, pastry, and beverages also grew rapidly, the sales of some nutritious food products in particular was doubled and the supply of these goods sometimes fell short. All these facts show the new trend in the improvement of the people's livelihhod and the change in the consumption structure.

As far as the reform of the circulation system is concerned, multiple economic patterns have basically emerged and a commercial economic network featuring various management forms and circulation channels has taken shape. Collective and individual commerce, in particular, has developed fast. In the period from January to November 1985, the proportion of the sales value attributed to commercial units under ownership by the whole people to the total value of retail sales of commodities was reduced from 83.1 percent in 1984 to 75.5 percent, while the proportion due to collective commercial units rose from 10.1 percent to 11.1 percent and that due to individual commercial units rose from 6.8 percent to 13.4 percent. The retail sales value attributed to individual commercial units increased by 150 percent over last year, that due to collective commercial units increased by 37.7 percent, and that due to commercial units under ownership by the whole people increased by 14.5 percent. Country fair trade has been very brisk this year and the volume of business has increased by a wide margin. So far there are more than 2,600 country fair spots throughout the province, an increase of more than 140 spots over the number at the end of last year; and the volume of business of these country fairs for the whole year is expected to amount to 2.2 billion yuan, an increase of 41 percent over last year.

Our province has also made great progress in the import and export trade this year. The total volume of imports and exports for the period from January to November grew by 49.7 percent over the same period last year, and the export quotas for tobacco, local products, and mineral products have been overfulfilled. Meanwhile, some technology import projects have given a great impetus to the province's economic development.

The scale of capital construction had expanded too fast since the fourth quarter of 1984. The expansion has now been slowed down through the strengthening of macroeconomic control and administration. The rate of expansion for October and November 1985 had already dropped to around 30 percent.

In 1985, the province invested more in the energy industry, communications, post and telecommunications, education, and urban construction. During the period from January to November, investment in capital construction for the coal industry increased by 38.9 percent over the same period last year, that for the power industry increased by 66.1 percent, that for transportation, postal service, and telecommunications increased by more than 100 percent, that for education increased by 81.5 percent, and that for urban construction increased by 97.7 percent. In addition, the fulfilled investment value for the textile industry grew by 310 percent.

Investment in nonproductive construction projects, especially in housing projects, has been increased relatively rapidly in 1985. The residential floor space completed in the period from January to November totaled nearly 1 million square meters, an increase of 30.8 percent over the same period last year.

During the period from January to November, in the wake of the improvement of the economic results of enterprises, the province's financial revenues increased by a pretty wide margin--an increase of more than 30 percent--over the same period last year.

While the financial revenues grew, the income of urban and rural residents in our province also increased substantially. During the period from January to November, the average salary for staff members of enterprises under ownership by the whole people was 941 yuan (excluding nonsalary income), an increase of 115 yuan or 13.9 percent over the same period last year. If the rise in commodity prices is taken into account, the year still witnessed an increase of 6.1 percent. Since government organs and nonproductive establishments have introduced a reform of wage system, their staffs have benefitted from a higher increase in their salary.

Since the restrictions on the procurement prices of such agricultural and sideline products as grain and meat have been lifted this year, the initiative of the vast number of peasants in production has been brought into play and their income has increased by a wide margin. According to a sample survey among 2,400 peasant families in the province, the peasants' cash income at their own disposal amounted to 178.72 yuan per capita during the period from January to September, an increase of 22.6 percent over the same period last year.

The economic achievements made by the province in 1985 are the results of the resolute implementation of the principle on reform, opening up to the outside world, and invigorating the domestic economy laid down by the CPC Central Committee. They have been accomplished through strengthening macroeconomic control and sticking with stimulating the microeconomy. Such phenomena as the overexpanded scale of investment in fixed assets, excessively rapid increase in credit and consumption funds, and excessively high rise in the prices of some commodities, which began to emerge in the fourth quarter of 1984, have been brought under control, while invigorated and efficient enterprises have emerged one after another. At the same time, as new progress has been made in domestic economic and technological cooperation, lateral economic ties between different provinces, between different areas, between different departments, and between different enterprises as well as nonproductive establishments, have been greatly strengthened. According to incomplete statistics, a total of 1,970 cooperative projects were concluded between the province and other provinces from January to September this year, almost equal to the total number of agreements concluded last year.

To be sure, the province is still faced with some problems in its economic development. The scale of investment in capital construction remains too large, grain production is not stable enough, only a small number of large- and medium-sized enterprises have been stimulated, efforts to improve the quality of industrial products and to reduce material consumption and production cost have not been successful enough, the supply of name brand and high quality products on the market still lags behind the growth in purchasing power, and the prices of vegetables, fruits, and other nonstaple foods have been rising too drastically for a while. We believe all these problems will be solved gradually as long as the reform is being carried out in-depth and macroeconomic control is strengthened.

The year 1986 is the year when the Seventh 5-Year Plan is to be started. Following the steady and in-depth development of the reform of the economic structure, the expansion of economic and technological cooperation with foreign countries, and the stepping up of the technical transformation of the existing enterprises, especially large- and medium-sized ones, it can be expected that the province's economy will be developing in 1986 along the trend of steady and harmonious growth. This will prepare good economic conditions for the reform of the economic structure which, in its turn, will inevitably give a greater impetus to economic development in the province.

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CSO: 4006/609

HUBEI CPPCC STANDING COMMITTEE HOLDS SESSION

HK150807 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 13 Jan 86

[Excerpts] This morning, the 14th Session of the 5th provincial CPPCC Standing Committee opened at the (Donghu) Hotel in Wuchang. The session was to listen to the report of Wang Qun, deputy secretary of the provincial CPC Committee and first secretary of Wuhan City CPC Committee, on Wuhan's economic structural reform and economic construction; to listen to and discuss the 1985 work summary report of the 5th provincial CPPCC Standing Committee; and to augment members of the provincial CPPCC.

At today's session, Wang Qun, deputy secretary of the provincial CPC Committee and first secretary of Wuhan CPC Committee, introduced the city's situation on reforms in six areas.

He said: In 1984, Wuhan City CPC Committee and government adopted the suggestions of some experts and CPPCC members. Starting from reforms of the circulation system and the transport system, the city promoted corresponding reforms in various areas, as well as the development of the economy as a whole. Based on this situation, in 1985 the city particularly grasped the work of invigorating large, medium-sized enterprises and the tertiary industry, as well as developing extensive economic links among cities and towns. The economy of Wuhan is developing in a healthy, coordinated and steady direction. In 1985, the city's gross industrial output value totaled 15.58 billion yuan or increased by 23.3 percent over the previous year. The long-standing tight financial situation was therefore relaxed.

In the afternoon, Zhang Wencai, vice chairman of the provincial CPPCC, delivered a summary report at the session on the 1985 work of the provincial CPPCC.

Today's session was presided over by Li Wei, chairman of the provincial CPPCC. It was attended by CPPCC vice chairmen Shi Zirong, Xie Wei, Zhou Jifang, Xu Jinbiao, Liang Zhiyan, Tao Yang, Sun Yaohua and (Yang Rui); and secretary general (Zeng Zhonglang). Also present were Tao Shuzepg and Tanx Ze, vice chairmen of the provincial People's Congress Standing Committee; CPPCC members in Wuhan; CPPCC chairmen of various cities and prefectures; directors of CPPCC liaison offices in various localities; and responsible people of the province's democratic parties and federation of trade unions.

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CSO: 4006/600

PROVINCIAL AFFAIRS

TIANJIN PEOPLE'S CONGRESS MEETING OPENS 13 JAN

SK150128 Tianjin City Service in Mandarin 0030 GMT 14 Jan 86

[Excerpts] The 25th Standing Committee meeting of the 10th municipal People's Congress opened at the cadres' club yesterday morning. Xu Ming, vice chairman of the municipal People's Congress Standing Committee, presided over the meeting. The agenda of the meeting was first approved. It included the following items: 1) Hearing a report made by Vice Mayor Lu Xuezheng on the 1985 market situation and the arrangements for supply and service work for the 1986 Spring Festival market; 2) examining and discussing a report made by the municipal People's Government on readjusting the municipality's 1985 budgetary revenue and expenditure; 3) handling personnel appointments and removals; and 4) examining and discussing the investigation reports made by the political and legal committee of the municipal People's Congress Standing Committee on the situation with regard to our municipality's implementation of the marriage law and on the situation regarding propaganda on and implementation of Tianjin Municipality's regulations on protecting the legal rights and interests of women and children.

At yesterday morning's session, Vice Mayor Lu Xuezheng, on behalf of the municipal People's Government, gave a report on the 1985 market situation and the arrangements for the supply and service work for the 1986 Spring Festival market. He said: A good market situation, exceeding our expectations, emerged in our municipality last year. Market supply as a whole basically satisfied the people's needs for daily necessities and their multi-faceted and multi-layered consumption demands. This helped guarantee the steady progress of the economic reform and promote the smooth development of production and construction.

Speaking on the 1986 market situation, he said that in general market supply will become more stable and thriving. He said: Success in the work concerning this year's Spring Festival market supply and service, in order to enable the people throughout the municipality to have happy holidays, has an important significance in encouraging the people to plunge into the four modernizations and develop the excellent situation with full confidence. The municipal government has decided to regard the improvement of commercial service as an important task and to exert great efforts to carry it out.

Attending yesterday's session were Zhang Zaiwang, chairman, and Bai Hua, Li Zhongyuan, Zhao O Aj Jun, Liu Zengkun, Han Tianyzo, and Yu Fujing, vice chairmen, of the municipal People's Congress Standing Committee.

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CSO: 4006/600

IDLE AIR-RAID SHELTERS IN NORTHEASTERN CHINA MADE USEFUL

HK190342 Beijing XINHUA Hong Kong Service in Chinese 0151 GMT 15 Jan 86

[Report by reporter Yang Minqing [2799 3046 7230] and correspondent Li Guozhong [2621 0948 1813]: "In China's Northeastern Region, Idle Civil Air Defense Works are Used in the Service of Society"]

[Text] Shenyang, 15 Jan (XINHUA)--In China's northeastern region, many civil defense works which have lain idle for a long time have been turned into busy places where people engage in trade, production, and recreational activities or relaxation.

When we strolled along a bitterly cold Shenyang street a couple of days ago, we came across a restaurant reconstructed from a civil air defense works. The "Yemeigui Restaurant" was outfitted with a cafe, a bar, a dance hall, and an electronic machines playroom. Filled with customers, the restaurant exuded a lively atmosphere.

In some other well-known cities of the three northeastern provinces, such as Harbin, Changchun, Qiqihar, Jinzhou, Yingkou, and Mudanjiang, people can also come across many cultural palaces, playrooms, music halls, dance halls, sports rooms, factory buildings, shops, and hotels which have been constructed from civil air defense works.

According to an official in charge of the civil air defense work in the northeastern region, one-third of the civil air defense works in Liaoning, Jilin, and Heilongjiang Provinces have so far been developed and used. They have yielded more than 200 million yuan in output value and business turnover and provided jobs for more than 26,000 people.

The temperature in the underground defense works is usually about 20 degrees Centigrade year round. In the cold northeastern region, no heating equipment is needed if these defense works are turned into lodging houses or places of production and recreation. They can also be used to store vegetables.

In the oil city of Daqing, the civil air defense works can store more than 20 million jin of vegetables at a time. Even in the bitterly cold winter season, the residents of this city can still have fresh vegetables.

In Daoli District, Harbin City, small and medium-sized defense works with a total floor space of more than 44,000 square meters have been turned into 17 neighborhood-run factories. With an annual output value of more than 14 million yuan, they have yielded more than 3.5 million yuan in profits.

Many cities and towns in the northeastern region have noticed the use of underground defense works and have set about using them to ameliorate congestion on the ground.

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CSO: 4006/600

USE OF DALIAN PORT TO ENLIVEN ECONOMY ADVOCATED

Harbin HEILONGJIANG RIBAO in Chinese 15 Jul 85 p 1

[Report by Wang Baosheng [3769 1405 3932]]

[Text] Fully utilizing the port of Dalian to help enliven Heilongjiang's economy is is the central topic of the Heilongjiang-Dalian conference on economic and technological cooperation and coordination, held by the Heilongjiang Provincial People's Government at Dalian from 10 to 12 July.

Dalian is one of the 14 open coastal cities developed after the four special economic zones since China instituted the open door policy. It is an important window for foreign trade and for the development of economic and technical cooperation with foreign countries. As early as 1979, Heilongjiang's foreign trade sector has set up agencies in Dalian. After that, the provincial people's government and the various prefectures and cities have successively set up agencies here. Currently, Dalian has become Heilongjiang's window for developing import-export trade, for importing technology, capital and equipment, and for strengthening horizontal economic ties and information exchange with fraterenal provinces and municipalities. In recent years, exports from the port of Dalian have increased year after year. Last year's volume, not including Daqing's oil, totaled more than 200,000 tons, half of the total foreign exchange receipts of the entire province. Heilongjiang has already designated over 90 economic and technological cooperation projects in Dalian. Last year, three cooperative projects were implemented in the Dalian developing zone: the Qinggang Hotel built through the joint investment by Daqing and Hong Kong; a factory manufacturing formed aluminium for construction use, a joint venture by the Northeast Light Alloy Manufacturing Factory, the China Nonferrous Metal Company and Japan; and the provincial economic and trade building.

In order to further expand the realm of cooperation and institute properly multilevel, multiform and multichannel contact and cooperation in Dalian, Du Xianzhong [2629 7359 1813], secretary-general of Heilongjiang Provincial People's Government, headed a delegation of more than 60 major leaders of pertinent provincial departments and the various prefectures and cities to convene this conference on economic and technological cooperation and coordination. Bi Xizhen [3968 6932 4394], secretary of the Dalian Municipal Party Committee, Mayor Wei Fuhai [7614 1381 3189] and other leaders of relevant municipal departments attended the conference to exchange views with Heilongjiang's comrades on future cooperative projects, such as coal processing and conversion, processing of grain for export, food processing, the processing of agricultural sideline products, timber processing and comprehensive utilization, and so on. The realm of cooperation has been expanded. The participating comrades of both sides understood that Dalian cannot be separated from the rest of the Northeast, and vice-versa. The provincial people's government expressed thanks for Dalian's support in reviving Heilongjiang's economy by using the port of Dalian. Dalian's leaders indicated that they would be a good window and offer good services for the further development of the economy of the Northeast.

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CSO: 4006/928

BRIEFS

SICHUAN OFFICE PROVIDES 'WINDOW' FUNCTION--According to SICHUAN RIBAO, the Sichuan provincial office in Beijing has displayed the spirit of initiative and become a window for the province in opening to the world and invigorating the domestic economy. This office has taken advantage of the benefits of being located in Beijing and having access to plenty of information and done good work for the province's effort to invigorate its economy. 1. It has provided timely economic information. The office compiles data from information on market changes and new fruits of science and technology and dispatches it to the provincial departments and bureaus concerned or to the prefectures and cities. Facsimile is used to promptly transmit to the province information of highly practical use. 2. The office takes the initiative in erecting bridges to provide the province with the conditions for developing lateral economic ties. In October 1985, the office invited the offices of 18 other provinces in Beijing to an economic cooperation meeting, thereby establishing initial ties with many provinces. 3. The office provides consultative services for personnel sent from Sichuan to Beijing. When these personnel encounter difficulties in work, the comrades of the office provide prompt assistance. In 1985, they bought 700,000 yuan worth of various materials for these personnel. [Text] [Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 17 Jan 86 HK] /12712

MEETING CONCLUDES ON BUILDING OLD BASES--This afternoon in Xifeng City, the provincial CPC Committee and Government concluded the work meeting on building the old bases in Qingyang Prefecture. The meeting summed up in an all-round way the economic construction work of the old bases over the past 3 years, and discussed ways of expediting the pace of building the bases and extricating the bases from their poverty-stricken state. The meeting also exchanged experiences in emancipating the mind, running town and township enterprises on large scale, developing commodity production, and transforming the bases. The meeting also formulated key construction projects for 1986 and 1987, and commended 16 advanced collectives and 13 advanced individuals who have made achievements in building the old bases. Responsible comrades of the provincial CPC Committee, the provincial People's Congress Standing Committee, and the provincial Government, including Li Dengying, Chen Guangyi, Ge Shiying and (Lu Ming) attended the meeting and delivered speeches. The meeting held that the construction of old bases is a long-standing, determined task. To expedite the pace of construction is an economic task as well as an important political task for the province, which affects the overall situation of the province as a whole. [Excerpt] [Lanzhou Gansu Provincial Service in Mandarin 1100 GMT 14 Jan 86 HK] /12712

RENTAL BUSINESS DEVELOPS ACTIVELY--Hangzhou, 17 Jan (ZHONGGUO XINWEN SHE)--Since its inception 3 years ago, the Zhejiang Provincial Rental Company has been active in collecting capital, introducing advanced technology and equipment, and helping factories and enterprises with their technological transformation. It has fulfilled 400 rental projects in the country, totaling 83.38 million yuan and involving nearly 800 factories in 29 provinces and cities throughout the country. In the course of providing rental services in the country, the company is also active in using foreign capital to rent equipment from abroad. Statistics show that the company has so far rented 12 sets of equipment from abroad, using foreign capital totaling $12.22 million. It has also established business relations with the FRG, Britain, Czechoslovakia, Poland, the GDR, and Japan. The equipment introduced by the company is mainly used in the province's superior industries such as the machine building industry, the textile industry, the plastics industry, the construction materials industry, and light industry. In most cases, quick results can be achieved and the payment for the rent can be settled in 1 or 2 years. [Text] [Beijing ZHONGGUO XINWEN SHE in Chinese 1000 GMT 17 Jan 86 HK] /12712

BOOMING COUNTRY FAIR TRADE REPORTED--The volume of country fair trade in Heilongjiang Province for the first half of this year totaled 684.02 million yuan, an increase of 71.9 percent over the same period a year ago. It was equal to 8.6 percent of the gross value of retail sales in the province. The farmer's market sales value amounted to 514.26 million yuan, 64.2 percent higher than the same period last year. The sales of pork of 35.41 million jin, 17.15 million jin over the same period of last year, and equivalent to 26.4 percent of the gross volume of sales of the state-owned commercial units throughout the province. In order to adapt to new circumstances of relaxation and revitalization, governments at all levels throughout the province have included the building of country fair markets into urban development plans. Guided by the principle that "the people's markets are built by the people," the method of support by the state and collective investment by the masses has been adopted. Through contributions either of money or labor, new network outlets have been set up actively. Up to the end of June, there were 1,283 trade markets, 247 more than the same period last year. Of these, 445 farm markets were in the cities, 107 more than the same period last year. [Text] [Harbin HEILONGJIANG RIBAO in Chinese 8 Jul 85 p 1] 9335

CSO: 4006/928

HEBEI'S LI FENG ON DEVELOPING MOUNTAINOUS AREAS

SK150639 Shijiazhuang HEBEI RIBAO in Chinese 17 Dec 85 pp 1, 2

[Text] At the provincial planning work conference held on 12 December Vice Governor Li Feng made a speech entitled "Accelerate the Development of 'Mountainous, Coastal, and Upland Areas,' and Promote the Vigorous Economic Development Throughout the Province." In his speech, he touched on the following four issues; 1) Fully understanding the important strategic position of the development of mountainous, coastal, and upland areas in the province's economic construction; 2) The guiding ideology for developing mountainous, coastal, and upland areas; 3) Major orientations and focuses on the development of mountainous, coastal, and upland areas; and 4) Major measures for developing mountainous, coastal, and upland areas.

Comrade Li Feng first stressed that developing mountainous, coastal, and upland areas occupies an important strategic position in the province's economic construction. He said: Mountainous, coastal, and upland areas in the province cover a vast territory, are rich in natural resources, and have great potential for development. In so far as natural resources are concerned, the Taihang Shan, the Yan Shan, and the Heng Shan in our province have a varied topography, numerous varieties of living things, and plenty of mineral resources. In mountains, river valleys, and river basins, we can grow grain, melons, vegetables, and other cash crops. In the vast expanse of barren mountains and hillsides, we can plant trees and grass, and develop forestry, animal husbandry, and fruit growing. In coastal areas, there is a vast expanse of water areas, beaches, and undeveloped saline-alkali land with fishes, shrimps, crabs, and various other aquatic animals as well as more than 160 varieties of plants. In addition, there are many scenic spots and historical sites near Beijing, Tianjin, Qinhuangdao, Tangshan, and Cangzhou. In the upland areas, there are more than 6 million mu of grasslands suitable for raising cattle, horses, sheep, rabbits, chickens, and other poultry, and for growing naked oats, spring wheat, potatoes, flax, and beets. We can also develop fresh-water fishery in lakes and mires. Mountainous, coastal, and upland areas are indeed three precious areas of our province, and we should change the favorable natural conditions to favorable commodity conditions as quickly as possible.

In so far as ecology is concerned, the upland areas, the Taihang Shan, the Yan Shan, and the Heng Shan provide a natural defense for the northern and western province. In addition to the rich natural resources, there are more than 1,100 large, medium-sized, and small reservoirs, and all the major river systems of the province have their sources in these areas. Because mountainous areas and plains are viewed as an integrated whole, the success or failure in the utilization of mountainous areas has a direct bearing on the entire ecological environment and economic development of our province.

In so far as the development potential is concerned, affected by the "leftist" idea of "taking grain as the key link" for a long time, the vast expanse of barren hills, grasslands, beaches, and water areas and the great quantity of living things and mineral resources in mountain, coastal, and upland areas have not yet been fully utilized, and some of them have even been destroyed seriously. Many places in mountainous and upland areas now still suffer from the shortages of drinking water, electricity supply, transport services, skilled persons, educational undertakings, and medical facilities, which hamper the economic development. Some places in remote old mountainous and upland areas are still very poor, and some peasant households there continue to have inadequate food and clothing.

The people in the vast territory of mountainous areas paid a huge price and made tremendous contributions during the revolutionary war. It is our unshirkable political duty to accelerate the development of these areas and to enable the masses there to change from poverty to prosperity as soon as possible. Therefore, successfully developing mountainous, coastal, and upland areas not only has an extremely important economic and political significance for these areas, but also has an important significance for improving the province's ecological environment as a whole and for promoting the vigorous economic development.

Referring to the guiding ideology of developing mountainous, coastal, and upland areas, Comrade Li Feng stated: Since the 3d Plenary Session of the 11th CPC Central Committee, particularly since 1982, the broad masses of cadres and the people in mountainous, coastal, and upland areas have gradually shaken off the ideological yoke of "taking grain production as a key link" under the leadership of the central authorities and the provincial CPC Committee, vigorously engaged in the development of "mountainous and coastal areas" and of "pastures and forests" in line with their natural resources, and have made the best use of their local strong points, resulting in a good trend in a large number of localities, in which the people have pooled their wisdom and strength to develop various undertakings simultaneously by exploiting the natural resources of the mountainous, coastal, and upland areas. A large number of material sources are being effectively developed or utilized. After summing up the positive and negative experience gained in developing mountainous, coastal, and upland areas over the past many years, particularly over the past few years, we found it necessary to uphold the following guiding principles in the upcoming development: A. Efforts should be made to suit measures to local conditions, to bring into play the strong points, and to conduct guidance in line with the different strong points. It is necessary for us to base ourselves upon our natural resources, and to make the best use of our strong points and open a road of becoming wealthy independently.
B. Efforts should be made to integrate the immediate social benefits with the

far-reaching ones. A good job should be done in dealing with the relationship between immediate benefits and long-term construction and between the current plan for getting rid of the poor status and the long-term plans in order to make a start in small projects and to enable these projects to become larger and larger so as to achieve progress step by step. C. Efforts should be made to conduct development and consolidation in a comprehensive way. It is necessary for us to integrate the work of exploiting material sources with the endeavor of protecting and breeding material sources and to integrate economic development with intellectual development in order to promote the benign cycle of ecological environment and the prosperity of the economy and culture in the mountainous, coastal, and upland areas. D. Efforts should be made to uphold the principle of having the state, collectives, and individuals engage in development simultaneously and to vigorously develop commodity production. E. Efforts should be made to put the foothold on the basis of displaying self-reliance and to refrain from placing hope on state support.

In referring to the major orientation and emphasis of developing the economy in mountainous, coastal, and upland areas, Comrade Li Feng pointed out: Localities should fix their own orientation and work emphasis under the general guiding ideology of "being based on local material sources and aiming at having most people become wealthy" and by summing up the experience gained in the development over the past few years.

1) Judging from the province's situation, the major orientation and work emphasis of the mountainous areas in developing the economy should be that these areas should do a good job in concentrating on grasping the development in the five fields of forestry, fruit production, animal husbandry, mining, and grain production on the premise of reasonably utilizing natural resources and protecting the ecological balance and by relying on the power of the policies and the progress of science and technology.

In forestry, they should plant trees, bushes, and grass on the mountains suitable for afforestation simultaneously, concentrate on planting fast-growing trees, feed trees, and fire-wood trees in order to integrate ecological benefits with economic results and to try to make the mountains green as soon as possible.

In fruit production, they should do a good job in managing the existing fruit trees while actively planting new ones. Along with the development of fruit trees, they should make all-out efforts to develop the technique of storing up fruits, keeping them fresh, and processing them. Efforts should be made to process preserved fruits, dried fruits, fruit juice, and canned fruits in order to increase incomes from the increased output.

In animal husbandry, they should put their work emphasis on first raising cattle, sheep, chickens, rabbits, hogs, ducks, and geese and then, on making efforts to upgrade the slaughter rate and commodity rate of animals and poultry. Localities with adequate conditions may develop the production of meat cattle, and milk cows and goats, and raise bees on a large scale. Efforts should be made to develop man-made grassland and to grow grass by closing the hillsides to facilitate growth in order to increase the sources of feeds among the large mountainous areas. Meanwhile, they should make full use of the reservoirs in developing fishery.

In mining production, they should continuously carry forward the spirit of "making use of natural resources as much as possible" and actively organize the masses to open mining enterprises. Efforts should be made to have households open mining business; to establish joint-venture business among households and among the state, collectives, and individuals; and to introduce outside funds to the mountainous areas.

In grain production, the mountainous areas that are suitable to grain production should realistically do a good job in cultivating grains and conduct intensive farming in order to vigorously increase output. Localities at hillsides with dry land should vigorously develop drought-enduring crops, such as millet, panicled millet, potatoes, sweet potatoes, beans, and sesame. Some localities should do a good job in conducting the limited production by making use of the favorable conditions of the naturally isolated zones.

2) Coastal areas: The main direction and major point of economic development should be in taking fish as the major product while comprehensively developing fishery, animal husbandry, agriculture, coastal industry, tourism, and ocean transport.

In fishery production, we should implement the principle of simultaneously developing fish breeding, catching, and processing, combine fish catching with breeding, the development of seawater with freshwater fishery, and the breeding of fish with shrimps, and further accelerate the rate of development. In breeding aquatic products, we should strive to increase the varieties and the output of fish in line with the diversified ecological environment, gradually change the development from mainly catching fish to breeding, and strive to fully utilize beaches, and shallow sea areas and lakes suitable for breeding aquatic products within 3 to 5 years. In ocean fishing, we should continue to readjust the distribution of fishery, stress the development of mobile fishing operations, improve the fishing capacity, and accumulate strength, in order to prepare conditions for developing deep sea fishing. The coastal areas have rich resources such as forage grass and fodder. We should develop animal husbandry and consider it as one of the major aspects of coastal development. In addition to developing the production of cattle sheep, chickens, ducks, geese, rabbits, and lean-meat hogs, we should also use various low quality fishes for breeding minks.

We should further readjust the agricultural structure in the coastal areas, stabilize the sowing acreage of paddy rice, and develop such cash crops as sorghum, sunflower, and bluish dogbane. Meanwhile, we should grasp the building of coastal forest shelter belts and the production of small dates, grapes, and other fruits, and vigorously develop diversified undertakings.

We should fully use the natural resources of raw salt, reeds, and native products in the coastal areas, and actively develop the light industry, such as salt chemical, paper-making, and wine-brewing industries, and ship-dismantling industry.

Tangshan and Qinhuangdao coastal areas have a great potential for developing tourism. We should consider developing the "golden coastline" extending from Shanhaiguan to Changli, and the "Kuailedao" in Leting into a whole range of tourist areas. We should also renovate historic sites, increase the number of tourist areas, and make unified plans for a comprehensive development.

In building coastal cities and townships, we should foster a mass viewpoint and pay attention to environmental protection. Governments at all levels should include environmental protection work on their agenda, and bring environmental protection plans in line with construction and development plans of various trades and enterprises, and integrate economic, environment, and social benefits. Before solving problems in environmental protection, we must pay attention to not building shrimp raising ponds near polluted areas.

3) Plateau areas: The main direction and the main point for economic development in these areas should be in taking animal husbandry as the major field of production while integrating the development of forestry, grass cultivation, livestock breeding, and agriculture actively develop the processing industry and trading, and gradually turn the upland areas into production bases of livestock and animal by-products of commercial value in order to provide a large amount of meat, eggs, milk, and animal hides for the markets.

Based on these major points, we should rationally readjust the proportion of forestry, grassland, and farmland, actively build forest shelter belts in "northwest, north, and northeast China" and grassland, establish and improve the grassland responsibility system, actively develop man-made pastures, grass enclosures, and grass fields, and strive to raise the animal grazing capacity of grassland. Meanwhile, we should solve the existing problems of grazing over the capacity of grassland, and strengthen the protection of grass shoals. Such crops as naked oats, potatoes, flax, and beets should be developed in a planned way and in accordance with the given conditions.

In livestock production, we should vigorously develop cattle, sheep, hogs, chickens, rabbits, and poultry, and gradually increase the proportion of cattle and sheep. In order to reduce the burden of grassland, in the future, we should not just stress the number of animals in stock but also stress the number of animals slaughtered and the rate of animals sold as commodities. We should also increase the proportion of female animals and promote the method of breeding and fattening animals in different areas.

We should vigorously develop the leather, fur, meat, and milk processing industries, should voluntarily cooperate with such large and medium-sized cities as Beijing, Tianjin, Zhangjiakou, and Chengde, and should establish contacts with the Sulu, Dachang, Zaoqiang, and other traditional fur processing bases to run country markets and livestock markets well and to clear the circulation channel.

In conclusion, Comrade Li Feng touched on the major measures for developing mountainous, coastal, and upland areas. 1) We should extensively mobilize the masses to conduct an in-depth discussion. The provincial CPC Committee and the provincial People's Government have decided to launch a mass discussion on "being based on the local natural resources, and having our eyes on the universal prosperity" in mountainous areas during this winter-spring period. We should conscientiously sum up the past experiences and lessons, make a specific analysis of local natural resources, select key development targets, and formulate the development plans for 1986 and for the Seventh 5-Year Plan period for each county and township. Meanwhile, we should mobilize the masses to seek ways to become prosperous from village to village and from household to household, and map out specific development measures. 2) We should further improve the output-related contracted responsibilities system. Now those counties and townships which have not yet contracted mountain, forest, beach, and water areas to households should quickly do so. Some mountains close by, fertile mountains, and plots with fewer trees should be designated to the masses for personal needs. The contract period for fruit trees should be extended from 30 to 50 years. Coastal beaches and undeveloped plots should also be designated to townships, villages, and households for utilization, and the rights to utilize these beaches and plots should remain unchanged for a long period. The forms of contract can be diversified and varied, such as the integrated contract, the individual household contract, establishing comprehensive production cooperatives to contract such areas, and comprehensively contracting a vast expanse of cultivated areas, grasslands, water areas, and forest areas. 3) We should actually strengthen the construction of the infrastructure of mountainous, coastal, and upland areas. The shortages of drinking water, electricity supply, and transport services and soil erosion are major obstacles to the economic development of mountainous, coastal, and upland areas, and all localities in these areas should give priority to building water and electricity supply facilities and to building roads. In terms of water conservancy projects, we should at present give prominence to solving the shortage of drinking water for the people and livestock in mountain areas. In building roads, we should focus on upland areas, remote old revolutionary base areas, mining areas, and tree and fruit-producing areas. In addition to strengthening the construction of roads, the coastal areas should build more small ports in order to vigorously develop sea transportation. Power industrial enterprises should emphatically support the development of the processing and mining industries. Meanwhile, assiduous and persevering efforts should be made to comprehensively develop small river valleys. 4) We should conscientiously apply science and technology to mountainous, coastal, and upland areas, and give comprehensive services to them. Professional departments and scientific and technological departments at all levels should organize scientists and technicians to serve mountainous, coastal, and upland areas, and these scientists and technicians should be trained at regular intervals on a rotating schedule. We should also popularize such ordinary technologies as pomucultural grafting; prunning; importing and breeding of good strains of crops, trees, and livestock; building nurseries of fry and shrimp eggs; mining of underground mines; and processing of those agricultural sideline products which are in short supply and can be quickly produced. Meanwhile, we should conduct joint research for some key scientific and technological problems. Medical personnel should also tour mountainous and upland areas to give medical treatment and professional training, to strengthen the cure and prevention of endemic diseases, and to promote sound childbearing practice. 5) We should vigorously develop the educational undertakings in mountainous, coastal, and upland areas, and strive to foster more competent persons quickly. Universities and colleges in our province should increase their enrollment quotas for mountainous and upland areas. We should also vigorously run various kinds of technical schools and training classes to train graduates from junior and senior middle schools in mountain areas and to train demobilized servicemen and young and middle-aged skilled craftsmen in such areas, and should foster and develop those competent personnel who are urgently needed in the fields of agriculture, forestry, animal husbandry, mining industry, and medical units. Some regular middle schools should be changed to vocational middle schools specializing in pomuculture, forestry, animal husbandry, fishery, mining, or processing. Efforts should be made to run county normal schools well in order to train more teachers. 6) We should find more financial resources for developing the mountainous, coastal, and upland areas. The funds for developing these areas should be collected in line with the principle of collecting funds from the masses and speeding up the circulation of funds and through various ways and channels. The financial departments and banks should also give all necessary support. The special funds of the provincial forestry, animal husbandry, agriculture, water resources, geological and mining, and scientific and technological departments as well as other relevant departments should be mainly used for developing the mountainous, coastal, and upland areas, and be gradually allocated to the counties to be managed and used in a unified manner by the county authorities in line with the approved development plans. The province and various prefectures, cities, and counties should allocate a certain amount of funds for supporting the development of poverty-stricken areas and such funds should be allocated concentratedly in different stages and groups. Beginning from 1986, the remote old revolutionary bases and poverty-stricken mountainous areas will be exempted from the tasks of subscribing for state treasury bonds for 3 years. 7) We should open the door widely and absorb foreign funds and technology for cooperative development. We should encourage domestic and foreign enterprises, establishments and individuals, and those in and outside the province to invest in the mountainous, coastal, and upland areas, to transfer technology and equipment, to spread the product processing operation to other localities, and carry out diversified forms of cooperation and integrated operation. The commercial, supply and marketing, economic, and trading departments should render better services to the development of these areas, open up markets, organize people to promote sales, establish commodity production and foreign trade exported bases in these areas, and support them to develop diversified undertakings. 8) The profits gained by the state-run forest and livestock farms, reservoirs, power stations, and salt farms in the mountainous, coastal, and upland areas should be enjoyed by the people and civilians, and temporary workers should be mainly recruited from among the local labor forces. In the future, we should organize the people and the reservoir administrative departments to jointly manage the reservoirs and develop the various natural resources in the reservoir areas. The benefits should be proportionally shared among them. 9) We should vigorously develop economic and technological cooperation between the urban areas and the mountainous and upland areas. The technology and equipment of the urban areas should be transferred to the nearby mountainous and upland areas. The processing industry with raw materials supplied from the mountainous and upland areas should be gradually moved to these two areas. We should fully use the natural resources and manpower in these areas to speed up the development of various natural resources. Some localities, if conditions permit, may carry out integrated businesses with the local collectives and the masses, operate dried and fresh fruits, animal by-products, and building materials industries as well as other processing industries, and gradually change the situation in which the raw materials producing areas and the processing of finished products are dislocated. 10) We should go deeply to the reality of life, change workstyle, and conscientiously sum up, and popularize advanced experiences. The relevant provincial departments, various trades and professions, and the relevant prefectural, city, and county governments should rapidly shift their work focus on comprehensively developing the mountainous and upland areas. The broad masses of party members, and cadres should promote the revolutionary spirit and the self-sacrifice spirit of "giving consideration to the whole situation, paying attention to unity, stressing actual results, and vying with each other in making contributions," go deeply to the reality, work hard, manage things in a down-to-earth manner, and better serve the people. Meanwhile, we should pay attention to discovering, summing up, and popularizing the advanced typical experiences. We should use the typical examples to guide our way, let the facts speak for themselves, and promote the development of the mountainous, coastal, and upland areas in a better manner.

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CSO: 4006/600

ECONOMIC PLANNING

LIAONING DECIDES TO HOLD CONGRESS SESSION IN MARCH

SK220539 Shenyang Liaoning Provincial Service in Mandarin 1030 GMT
21 Jan 86

[Text] On 21 January, the 18th Standing Committee meeting of the 6th provincial People's Congress held a plenary session at which, participating members unanimously approved the resolution on the convocation of the fifth session of the sixth provincial People's Congress, which will be held in Shenyang on 12 March this year.

The major items of the fifth session's agenda are to hear the work report given by the provincial People's Government, the report on the major tasks for implementing the Seventh 5-Year Plan, the report on the 1986 plans for the national economy and social development, the report on the implementation of the 1985 budget and on the 1986 draft budget, the work report given by the provincial People's Congress Standing Committee, and the work reports given by the provincial Higher People's Court and the provincial People's Procuratorate; and to examine and discuss the provincial draft provisions on making the 9-year compulsory education universal.

At the plenary session, participating members also heard the report given by Wang Ruofu, director of the provincial education department, who was entrusted by the provincial People's Government to give a detailed explanation on the draft provisions on making the 9-year compulsory education universal; the report given by (Qi Zheng), secretary general of the provincial People's Congress Standing Committee, with regard to giving a detailed explanation on the quota of supplementary deputies and to the disposition of the seven motions submitted at the third session of the sixth provincial People's Congress.

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CSO: 4006/609

BRIEFS

HEILONGJIANG READJUSTS COMMODITIES STRUCTURE--During the Seventh 5-Year Plan period, the province will readjust the structure of the existing export commodities. The Foreign Economic Relations and Trade Department has stressed the necessity to fully take advantage of the province's natural resources and the favorable industrial conditions to develop 10 series of products, and to organically combine the economic construction with the 10 series of products in order to increase the source of export commodities and ensure the steady, sustained, and substantial increase in foreign trade. These 10 series of products include agricultural products, cash crops, local products, livestock products, machine tools, electrical products, textile industrial products, mineral products, chemical industrial products, and wooden products. We should make each series of such products have its own fist and key products. At present, various commissions, offices, and bureaus of the provincial People's Government are actively formulating their plans for supporting the development of such products, and are conscientiously organizing forces for implementing these plans. [Text] [Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 21 Jan 86 SK] /9738

CSO: 4006/609

BRIEFS

GANSU DEVELOPS COMMERCE--The total amount of commodities purchased by the state-run commercial enterprises in Gansu Province in 1985 was 2 billion yuan, 33 percent more than in 1980. The average annual increase was 5.9 percent. The total amount of commodities sold in 1985 was 2.4 billion yuan and recorded an increase of 29 percent over 1980. The average annual increase was 5.3 percent. By 1985, 92.5 percent of the small enterprises had carried out rectification and correction and the majority of the 56 large and medium-sized retail enterprises had implemented the economic responsibility system. The profits made by the state-run commercial enterprises in 1985 were 82 million yuan and were 39.9 percent more than in 1980. The average annual increase was 6.9 percent. The number of commercial units in 1985 reached some 5,100 and was 12.7 percent more than in 1980. The commercial front in the province completed 195 projects of various kinds, of which 10 are cold storage warehouses. After technological transformation, the number of varieties of nonstaple food increased from some 500 in 1982 to some 1,600 in 1985. Of them, 14 won the provincial title of product of superior quality. [Summary] [Lanzhou Gansu Provincial Service in Mandarin 1100 GMT 12 Jan 86 HK] /12712

SHAANXI TOWNSHIP ENTERPRISES--The recent conference of directors of prefectural and city township enterprise bureaus in Shaanxi Province announced that the total output value of the province's township enterprises in 1985 exceeded 3.8 billion yuan, a rise of 42.91 percent over 1984. The enterprises recorded sustained development despite a shortage of capital. At the beginning of the year, various localities managed to raise capital through a variety of means to solve the problems of 3,000 capital-short enterprises. Good achievements were made in improving product quality. [Summary] [Xian Shaanxi Provincial Service in Mandarin 2300 GMT 16 Jan 86 HK] /12712

CSO: 4006/600

XINJIANG TO STRENGTHEN CONTROLS OVER CAR IMPORTS

HK120405 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 11 Jan 86

[Text] The regional government's General Office recently issued a circular demanding that all areas and departments strengthen control over the import of cars. The circular pointed out that there has recently been a sharp increase in the number of cars purchased in Xinjiang not covered by the plans. In particular the proportion of passenger cars in the total is very large. Control has been lost to a certain degree.

In order to strictly control the excessive growth in the number of cars, the circular reiterates that the standards and scope of cars of all sizes assigned to the different areas, departments, and units are still governed by the regional government's provisional regulations of 1981. Excessive purchases of cars, which may be due to exceptional circumstances, must be approved by the regional government. Prefectures and cities and departments are forbidden to arbitrarily spend the region's foreign exchange and the foreign exchange retained by the localities on buying imported cars at home or abroad. They are also forbidden to spend domestic capital on buying luxury cars.

Except for those vehicles allocated gratis, cars allocated to the region by the central authorities can only be brought in after obtaining permission from the regional Planning Commission and Tax and Profit Office. Otherwise, the examination and approval procedure will not be carried out. Cars donated by overseas Chinese and Hong Kong and Macao compatriots will be handled in a unified way by the regional Overseas Chinese Affairs Office, which will report to the regional government for examination and approval. Such vehicles are restricted to the units and individuals receiving them. They may not be resold or transferred.

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CSO: 4006/600

GUANGDONG HOLDS SUPPLY, MARKETING COOPERATIVES' WORK CONFERENCE

HK200843 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 14 Jan 86

[Text] Yesterday afternoon, at the provincial conference on supply and marketing cooperatives' work which was held in Shunde County Yang Deyuan, vice governor of Guangdong Province, said: Supply and marketing cooperatives must adhere to the correct orientation, gear their work to the needs of rural areas, and do everything to develop the rural economy.

Vice Governor Yang Deyuan said: Over the past few years, in the situation in opening up and reform, supply and marketing cooperatives in our province have withstood tests and steeling, strengthening their vitality, gained a firm foothold, become important economic forces to organize rural commodity production and circulation, and continued to give play to the role of a main channel.

Yang Deyuan said: This year, the supply and marketing cooperatives must carry out deepgoing reform, open up a new path, and forge ahead. They must change ownership by the whole people to collective ownership and running by the government to running by the people. They seriously turn themselves into comprehensive service centers in many forms, such as forms of helping production develop and organizing the procurement of products in rural areas, the processing of agricultural and sideline products, and the exchange of commodities.

The provincial conference on supply and marketing cooperatives' work was held in Shunde County from 8 to 14 January.

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CSO: 4006/609

HENAN LEADER SPEAKS ON ACHIEVEMENTS, PROBLEMS

HK200531 Zhengzhou Henan Provincial Service in Mandarin 2300 GMT 19 Jan 86

[Excerpts] The 18th meeting of the 6th provincial People's Congress Standing Committee opened in Zhengzhou on the morning of 19 January, Chairman Zhang Shude presiding. Vice Governor Zhang Zhigang delivered a report on dealing with suggestions, criticisms, and views raised by the delegates at the third session of the Sixth Provincial People's Congress. In the afternoon the meeting started panel discussions on the reports and examined the provincial draft regulations banning gambling.

Zhang Zhigang focused on six questions in his report: 1) on the shortage of credit and capital; 2) on market prices; 3) on transferring household registration from rural to non-rural areas; 4) on increasing spending on education and developing education; 5) on widening and improving roads; 6) on banning random imposition of fees and charges.

On market prices, Comrade Zhang Zhigang said: The reform of the price system is the key to the success or failure of the entire reform of the economic structure. In the course of carrying out price reforms, prices in the province have risen a bit more than they did in the past. However, the growth of people's incomes has exceeded the rises in prices. It is estimated that the wages of urban staff and workers in Henan in 1985 rose by about 20 percent over 1985 and that peasant incomes rose by 9.6 percent, while the increase in the retail price index is estimated at about 5 percent, at 3 percent in the rural areas and at about 9 percent in the urban areas. In short, we must take a correct view of the questions of prices and price reforms.

1. It is imperative to reform the existing price setup. Otherwise, economic relations in all aspects cannot be harmonized and the national economy cannot maintain long-term healthy development.

2. Although problems of various kinds have existed in our reforms in this field since the 3d Plenary Session of the 11th CPC Central Committee, basically the reforms have been successful.

Zhang Zhigang also explained to the meeting the reasons for the relatively large price rise last year and the measures already and still being taken to solve the problem.

On banning random imposition of fees and charges, Zhang Zhigang said that in order to solve this problem, the CPC Central Committee and State Council issued a circular last October on banning random fees and charges imposed on the peasants. The provincial CPC Committee and Government also issued their document No 48 of 1985 on the matter. On the basis of investigation and study and extensive gathering of people's views, the provincial government has submitted this question to the provincial rural work conference for discussion and decision.

At present there has been some improvement in the random imposition of fees and charges. However, hard work is still required to solve it completely.

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CSO: 4006/609

IMPROVEMENT OF RURAL ENTERPRISE PRODUCT QUALITY DISCUSSED

Beijing BEIJING ZHONGGUO XIANGZHENQIYE BAO in Chinese 20 Jul 85 p 1

[Commentary: "Improving Product Quality Is the Lifeline for Rural Enterprises"]

[Text] Currently, the problem of deteriorating quality of some industrial products has aroused popular discussion and criticism. Although this problem is present in the state-owned enterprises, it is more serious in some rural enterprises. We should be greatly concerned about this.

China is a socialist country. The fundamental principle of social production is to satisfy the continuously increasing needs of the people. Living standards in China still not high. Producing high-quality, durable products is equivalent to raising living standards. Manufacturing products in a rough and slipshod way, substituting fine with inferior quality and subsituting real with false products to cheat the consumers are criminal acts against the people and are not permitted. Most of the staff members and workers of our rural enterprises are peasants who have just entered the realm of commodity production. In the past, when they purchased industrial products, they all hoped to purchase durable commodities and detested those commodities which were manufactured in a rough and slipshod way. Now that they have set up their own enterprises to provide all kinds of products for the people, how can they cheat the consumers with products manufactured in a rough and slipshod way! "Do not do unto others what you do not want others to do unto you." We must not harm others to benefit ourselves. We should establish correct business principles and must not forget righteousness while pursuing profit. We should establish a socialist business ethic, improve the ideological quality of the broad masses of cadres and staff members and workers, and promote the feeling of pride in making profit through improving quality and feeling ashamed of making profit through lowering quality.

With the development of commodity production, market competition has become increasingly acute. Most of our rural enterprises take part in competition primarily on the basis of market regulation. Under this circumstance, we will only prevail through improving product quality. Paying no regard to quality, we may obtain profit for a while but will ultimately be eliminated. From a long-term standpoint, to enable our enterprise to prosper, we can only win the trust of the customers through offering appealing and inexpensive products.

In this respect, improving product quality is the lifeline of the rural enterprises.

The key to improving product quality for the rural enterprises lies in their cadres and staff members and workers, who must forcefully promote "quality first." If all the staff members and workers of the enterpries adopt "quality first" as the criterion for their work, they will be able to formulate rules and regulations for guaranteeing quality and mobilize all the staff members and workers to implement these rules and regulations. Thus, the key to improving product quality lies in the frequent and continuous instruction in "quality first" with vivid and concrete facts. At the same time, we must conduct education on professional ethics and the legal system in order to improve staff and worker ideological quality and to make improvement of product quality a conscious act on the part of the broad masses of staff and workers.

The improvement of product quality requires inspection and supervision. The departments in charge of rural enterprises in various localities must abide by the notice concerning strengthening quality control over industrial products, issued by the rural enterprise bureau under the Ministry of Agriculture, Animal Husbandry and Fishery. On the one hand, they must institute in a planned manner the creation of outstanding products among the various trades and undertakings and carry out appraisal and comparison of these. On the other hand, they must carry out supervision and inspection. Through inspection, they can commend the good and criticize the inferior. Those products which do not meet the quality criteria should not be allowed to leave the factory. Damage to product quality and thus to the interests of the state or collective resulting from improper quality control should be handled strictly according to rules and regulations. Those people who fabricate products in violation of the law should be prosecuted and must absolutely not be accommodated or tolerated.

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CSO: 4006/929

ECONOMIC MANAGEMENT

CHANGING PRODUCT LINE UNACCEPTABLE RESPONSE TO REFORM

Beijing LIAOWANG [OUTLOOK] in Chinese No 29, 22 Jul 85 p 5

[Article in Current Affairs Column by Dai Guoqiang [2071 0948 1730] and Liu Kuihua [0491 5525 5478]: "We Must Not Turn Reform Into a Change of Product Line"]

[Text] Since the beginning of this year, after the market was opened for such fresh and live commodities as hogs, vegetables, eggs, and aquatic products, the state-owned commercial enterprises which have managed these commodities have been faced with a stern challenge. They generally feel that times are difficult and have voiced urgent concerns one after another:

--The procurement and sales volume of vegetables for most urban state-owned grocery stores has generally dropped. Net profit has dropped by a wide margin. A few grocery stores have also had difficulty meeting their payroll.

--The procurement and sales volume of pigs has dropped by a wide margin. Compared to the corresponding period last year, the procurement volume of pigs in some provinces and regions in the first quarter of this year has dropped by roughly 50 percent. The sales volume of pork of the state-owned butcher shops has generally dropped by more than 50 percent.

--Due to poor business, many state-owned food stores, vegetable markets and aquatic product retail stores have had surplus personnel with no work to do. There are 203 state-owned nonstaple foodstuff outlets in Shaoguan Prefecture, Guangdong. Only 20 outlets are able to meet their payroll. This constituted only 9.9 percent of the total. There are 113 outlets, constituting 55.7 percent of the total, which rely on loans to meet their payroll; 37 outlets, constituting 18.27 percent, are unable to meet their payroll; and 34 outlets, constituting 16.7 percent, have been dissolved, leaving their staff members and workers to seek employment on their own.

We have called for the reform of the state-owned channels of circulation for several years. However, not much has been done. Now that the market has been opened up and the situation of exclusive operation has been shattered, market monopoly has become market regulation. Reform is not only a necessity for the further development of a socialist commodity economy, it is closely linked with the fate of large numbers of state-owned commercial enterprises. If we do not carry out reform conscientiously, the several hundreds of thousands of staff and workers of the state-owned vegetables system and more than one million staff and workers of the state-owned foodstuff system will be facing a predicament in maintaining their livelihood.

Faced with the challenge of an open market, the state-owned commercial units of many places are in a frantic rush. Although they all realize that the way out is to implement reform, many units have chosen another approach: changing their product lines. They have converted their grocery stores, butcher shops and aquatic product retail stores into hardware stores, department stores, clothing stores, restaurants and hotels. Some have simply leased their business location to others. In Guangdong's state-owned foodstuffs industry, more than 400 basic-level units have been converted to restaurants and hotels. The 108 vegetable markets under the Wuhan Municipal Vegetables Company have leased to foreign units half of the grounds in the busy urban areas where the state-owned vegetable markets used to be. These units have abandoned their former meat, poultry, egg, vegetable and fish operations, and have dealt with the challenge put forth by reform with a change of lines.

The comrades of the commercial sectors in Beijing and Tianjin municipalities have analyzed the primary reason for turning reform into a change in product lines as follows: The state-owned commercial enterprises have long been used to exclusive operation and state procurement and sales. Procurement meant the producers delivering goods to their doors; and sales actually involved distribution and dispatch with no worry over purchase or sales. Now, the open market has shattered this situation of exclusive operation. Competition from multiple channels has appeared. Many units under the state-owned vegetable and meat sector still embrace basically their previous business thinking, business style, business methods and business system, which are all unsuitable to the demands of market competition. Some units still drift along aimlessly in their "official businessmen" style. When they encounter difficulty and cannot get by, they think about changing lines. They have no plans and no confidence in adpating to the new situation of the devleopment of commodity production and in continuing to play the role of primary channel in an open market.

After several months of probing, many state-owned vegetable companies, aquatic product companies and foodstuff companies have discovered some ways to deal with the commodity economy. They have understood more clearly that there are great prospects for the state-owned commerical enterprises to play the role of primary channel.

In a multichannel operation, the state-owned commercial enterprises play "the role of primary channel" not only by occupying a major position and handling the largest volume of commodities, but, more importantly, by bringing into play their role in regulating market surplus and shortages and in stabilizing prices for other circulation channels. Not long ago, the Tianjin Municipal Vegetable Company put forth the following four tasks of "bringing into play the role of primary channel" for the various state-owned branch companies, vegetable markets and grocery stores under the company: One, link the city and the countryside properly and establish direct ties between production and sales. Two, regulate surplus and shortage; in the slack season, we must try our best to bring in vegetables from other places to ensure vegetable supplies to residents, and in the brisk season, we must try our best to sell vegetables to other places to ensure profits for the vegetable growers. Three, organize and arrange properly the market supply for the major holidays. Four, provide information and service for the producers and management.

Some Commerce Ministry comrades maintain that the relevant state-owned commercial units should play a leading role in developing the processing industries for fresh and live commodities. A comrade recently back from a visit to Japan said: We only sell unprocessed vegetebles, roots and all, on our vegetable markets. In Japan, all the fresh vegetables, greens, and melons and fruits are not only washed but are wrapped separately according to color and freshness. The consumers can eat or cook the vegetables without additional work. Moreover, vegetable juice manufacture has already become a new undertaking in the world market. For instance, cabbage juice and carrot juice are inexpensive and nutritious. This is an opportunity that we should exploit.

The reform has created a challenge as well as an opportunity for the state-owned commercial enterprises, which have their particular strengths. The key lies in whether they will use new concepts to understand the major trend of the development of commodity production and grasp the great opportunity presented by the reform. Changing production lines, on the other hand, is an escape, a declaration of defeat. The state-owned vegetables and meat sector should not and need not avoid competition; they should take part and assume leadership in it instead. There is much to be done.

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CSO: 4006/929

FINANCE AND BANKING

STATE COUNCIL ISSUES BANK MANAGEMENT RULES

OW171014 Beijing XINHUA in English 0757 GMT 17 Jan 86

[Text] Beijing, January 17 (XINHUA)--Non-financial organizations and individuals may not handle banking business, according to the interim regulations on bank management issued by the State Council January 7.

The regulations, which came into force the same day, say that individuals may not set up banks or other financial organizations and local governments at all levels are not allowed to establish banks.

Under the regulations, China's central bank, specialized banks and other financial organizations must carry out state financial policies and see to it that their business helps promote the country's economic growth and stabilize its currency.

A commentary in today's PEOPLE'S DAILY, which carries the full text of the 63-article regulations, describes the regulations as a "legal guarantee" for ensuring the regulatory role of banks in the economy.

The state protects personal savings deposits and keeps them confidential, the regulations say.

Specialized banks, such as the Bank of China, the Agricultural Bank of China and the Construction Bank of China, enjoy decision-making powers on extending loans and bear responsibility for risks involved in loans they extend.

No unit or individual may arbitrarily order these banks to issue loans or obstruct them in recovering them without State Council approval, no unit can have loans remitted, the regulations stress.

Bank employees using loans for personal gain will be penalized according to law and their illegal earnings will be confiscated.

The regulations do not apply to Sino-foreign joint financial ventures or financial organizations with sole foreign investment in China.

The People's Bank of China, which is responsible for explaining the regulations, will formulate supplementary rules concerning management of branches of China's specialized banks and other financial organizations in the four special economic zones.

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CSO: 4020/186

INSURANCE BUSINESS GROWING THROUGHOUT COUNTRY

OW181427 Beijing XINHUA in English 0640 GMT 18 Jan 86

[Text] Beijing, January 18 (XINHUA)--More than 70 percent of the public-sector enterprises have insured property worth a total of 700 billion yuan, Qin Daofu, president of the Chinese People's Insurance Company, said here in a recent interview with XINHUA.

And two out of three motor vehicles are now covered by third-party policies, he said.

Qin gave these as examples of the development of the country's insurance business during the Sixth 5-Year Plan period (1981-1985) which has just ended.

China now has 2,300 insurance agencies and they offer more than 130 kinds of policies, including 80 for foreign clients, Qin said.

Insurance has extended to the countryside from its traditional market in the cities. Rural insurance payments now account for 25 percent of the total.

The clientele has also become more varied, taking in collective and individually-run enterprises, urban and rural families. Seventy percent of these live in the countryside.

Qin said his company payed out compensation in the spirit of active, swift, accurate and reasonable service to clients suffering losses.

Serious floods in Liaoning, Heilongjiang, Jinlin and Shandong provinces last year resulted in big losses of property, and the company has paid out 200 million yuan to clients in the flooded areas.

Qin said that his company planned to develop more forms of insurance, expand the scope of its service, lower insurance rates and simplify procedures to boost business further in the next 5 years.

In the 6 years from 1980 to 1985, domestic and foreign insurance returns brought in 8.5 billion yuan, compensation payments totaled 3.3 billion yuan, while 1.88 billion yuan was paid to the state in the form of tax. A large amount was set aside to cover possible claims.

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CSO: 4020/186

MINERAL RESOURCES

BRIEFS

JIANGSU PEARLITE DEPOSIT--Nanjing, 13 Jan (XINHUA)--A pearlite deposit with proven reserves of more than 9 million tons was verified recently in Dantu County, Jiangsu Province, according to the provincial geological department. The deposit is near the surface and is easy to mine, the department said. Pearlite is a heat-insulating nonferrous metal widely used in the chemical, petroleum, metallurgical, aeronautical, and space industries. [Text] [Beijing XINHUA in English 0853 GMT 13 Jan 86 OW]/12766

NEW MINERAL FOUND--Hohhot, January 22 (XINHUA)--Erlianite, a new mineral found by Chinese geologists in the Inner Mongolia autonomous region has been registered with the International Mineralogical Associated Commission on new minerals and mineral names. Erlianite is a ferri-silicate mineral containing vanadine and first found in Erenhot, a border city in northern Inner Mongolia. Dark brown in color, it contains silica dioxide, ironstone, magnesium, calcium, manganese, titanium, and a number of other chemical elements. The discovery of erlianite is of great significance in the study of mineralogy and tectonics, especially slab structure, according to the geologists. [Text] [Beijing XINHUA in English 1936 GMT 22 Jan 86 OW]/12766

CSO: 4020/186

DEFENSE INDUSTRY PRODUCES GOODS FOR CIVILIAN USE

OW211321 Beijing XINHUA Domestic Service in Chinese 1135 GMT 19 Jan 86

[By reporter Chen Zhiqiang]

[Text] Beijing, 19 Jan (XINHUA)--Through readjustment and reform, our science, technology, and national defense industries, have made remarkable achievements in implementing the principle of turning out products for both military and civilian use during the Sixth 5-Year Plan period. Thus, coordinated development of defense and economic construction has been brought about, expressed in the following aspects.

In guiding ideology, the defense industry has changed from producing products solely for military use to also turning out products for civilian use while ensuring production of the necessary military products. As pointed out by an enlarged meeting of the Central Military Commission, our defense science, technology, and industry have freed themselves from the state of war in guiding ideology and put the development of products for and the transfer of military technology to civilian use on a par with the production of goods for military use. Conscientiously taking national construction into account, the defense industry has thus put on its agenda the production of goods for and the transfer of military technology to civilian use. Defense industry departments have made vigorous efforts to develop nuclear technology for peaceful use, new motor vehicles for civilian use, and aircraft and satellites. They have also taken an active part in the country's peaceful construction.

While reforming its structure on a trial basis, the defense industry has changed its appropriation system into a contract system. After several years of exploration, the defense industry has done a lot of work in invigorating scientific research, implementing the contract system, and instituting and improving the system of responsibility by institute directors. Thus, a new measure for the reform of defense science and technology management has been set forth, with the focus on reforming the system of appropriation through administrative channels and trial-implementation of the contract system and the system of units being responsible for their surpluses or deficits, the National Defense Science, Technology, and Industry Commission, in coordination with other state departments concerned, has worked out measures and regulations concerning the reform of funding in accordance with the requirements for the development of a planned commodity economy and the commercialization of technological achievements. This is aimed at gradually putting our defense science, technology, and industry on the course of peacetime national economic construction in structure, policy, planning, and funding.

Management by administrative means is changed to management by economic means, with the stress on economic accounting. Various defense departments have effected quality and quantity management one after another, have worked out measures for cost accounting in scientific research, and exercised quota control over and made quantitative analyses of funds, workloads, economic results, and product quality. Thus, responsibility, rights, and profit are organically combined, the past practice of paying little attention to economic results has been changed, and management has been considerably improved. The 1985 value of products turned out for civilian use by the four defense industry departments of ordnance, aeronautics, astronautics, and nuclear industry tripled that of 1980.

Various new systems for the development of products for civilian use have come into being in our national defense science, technology, and industry, such as economic, technological establishments, the products contracting system, and the system of development through international cooperation. The production of products for civilian use is developing toward technology-intensive production of high-quality, precision, and sophisticated products and toward mass production in designated places. By 1985, more than 170 varieties of products turned out by defense industry departments for civilian use had been included in the state plan, and such departments had recently built over 400 major lines for producing goods for civilian use. The value of products for civilian use increased from 18 percent in 1980 to 41.8 percent of the defense industry departments' total value in 1985. Now the defense industry has become an important force in the country's economic construction.

Military industrial technology is being extensively transferred to civilian use. Defense industry departments have set up intersecting technology- and product-marketing networks. Electronic, laser, infrared, telemeterary, remote control, and remote sensing technologies for military use, as well as special technologies and materials and isotope technology, have begun to be used in agriculture, light and textile industries, chemical industry, building materials industry, oil industry, medicine, coal industry, and in geological and oceanographic fields. The number of projects transferred from military to civilian use in 1985 doubled that of 1984.

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CSO: 4006/602

GU MU ADDRESSES NATIONAL TOURISM CONFERENCE

OW221131 Beijing XINHUA Domestic Service in Chinese 1516 GMT 21 Jan 86

[By reporters Ji Naifu and Chen Yi]

[Text] Beijing, 21 Jan (XINHUA)--At a national conference on tourism in Beijing today, State Councillor Gu Mu stressed that all localities should strengthen leadership over tourism and that the whole country should support tourism in order to promote China's tourism industry in a faster and better way.

Gu Mu said: The Party Central Committee and the State Council have paid keen attention to developing tourism. The State Council has included the plan for developing tourism in the state's "Seventh 5-Year" Plan. We should lay a good foundation during the period of the "Seventh 5-Year" Plan, make great progress in the next 5 years, and turn our country into a relatively developed country in tourism by the end of this century.

Gu Mu said: We must have a new understanding of the political and economic importance of developing tourism. He pointed out that there are many favorable conditions for developing tourism in our country. He said: Our country has very abundant resources for developing tourism because of its unique natural beauty and historical relics. Our country's policy of opening to the outside world provides an important guarantee for developing tourism. Since the convocation of the 3d Plenary Session of the 11th CPC Central Committee, we have made relatively great development in tourism while implementing the policy of activating the economy at home and opening to the outside world. However, taking the whole situation into consideration, our country's tourism industry is still quite underdeveloped and does not match the first-rate attractions it claims to have. Investment in tourism allows a quick turnover of funds and can create a lot of foreign exchange. It does not require vast quantities of equipment and raw materials such as shaped steel and does not consume our country's natural resources. In addition, it can provide jobs for many people, promote the building of communications, civil aviation, airports, and other basic facilities, and stimulate the development of handicraft, light and textile industry, and food processing and service industry. It can also promote the building of spiritual civilization. Therefore, we must firmly support the development of the tourism industry.

Gu Mu said: In order to promote tourism, we must first raise our understanding of the importance of the work and unify our thinking. The development of tourism is not merely the work of tourism departments but an important task for the whole country. It is a joint task for everyone. All localities and departments concerned should take the interest of the whole country into consideration, make coordinated efforts, and foster the concept that supporting the tourism industry means supporting the development of economy and supporting the building of the "four modernizations." So long as we make concerted and coordinated efforts, we can surely achieve our goal of developing tourism.

Gu Mu said: The state has decided to appropriate funds for the development of the tourism industry. The money appropriated by the state for the "Seventh 5-Year" period will be mainly spent on the development of scenic spots and the construction of hotels in major tourist cities and regions such as Beijing, Shanghai, Xian, Guilin, Hangzhou, Jiangsu, Guangzhou, and Hainan Dao. Tourism-related facilities to be built by the various localities and departments should be included in the development plans and budgets of the various localities and departments. For instance, the expansion of airports in major tourist cities should be included in the development plan for civil aviation, and the building of highways should be included in the development plans of the Ministry of Communications and the communications departments of the various localities. We should adhere to the policy that the state, the various localities and departments, and collectives and individuals should all take part in the work of developing tourism. In order to strengthen leadership over the development of tourism and coordinate efforts in solving major problems, the State Council has decided to set up a coordination group for tourism. The various provinces, autonomous regions, and municipalities should also strengthen their leadership over the work, improve the management system in tourism, do a good job in building tourist facilities, and promptly solve all problems that emerge in the course of developing tourism.

In conclusion, Gu Mu asked the various tourism departments to pay attention to improvement and reform work, strengthen the training of personnel, and raise service quality in order to meet the need of developing tourism.

Han Kehua, director general of the National Tourism Adminsitration, explained the plan for developing tourism and spoke on how to implement the plan.

The purpose of the current conference on tourism is mainly to study how to specifically implement plans and make arrangements for this year's tourism work in order to achieve solid development in the first year of the "Seventh 5-Year" period.

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CSO: 4006/602

ORDNANCE INDUSTRY TO MAKE MORE CIVILIAN PRODUCTS

OW222345 Beijing XINHUA Domestic Service in Chinese 0120 GMT 21 Jan 86

[By reporter Li Anding]

[Excerpts] Beijing, 21 Jan (XINHUA)--The Ministry of Ordnance Industry has decided to turn the industry by and large into a new military-civilian undertaking in 5 years. While supplying the PLA with advanced and high-quality weapons and accessories in sufficient quantities, it will go all out to develop production of civilian goods, with the aim of bringing the proportion of the civilian production value in the total production value of its subordinate enterprises from the present 36 percent to 67 percent.

Speaking at a meeting of leading cadres of the Ministry of Ordnance Industry, Minister Zou Jiahua pointed out: Currently the ordnance industry has more than 200 civilian goods production lines, which churn out 16 categories of products, including motorcycles, electric refrigerators, cameras, hydraulic-controlled stands, and equipment for the petroleum industry. In the days to come, while ensuring good work in promoting scientific research on military products and in developing their production, we should make all-out efforts to increase production of goods for civilian use, and do well in transferring the technical know-how of military industry for use by civilian industries.

Zhou Jiahua said: Going all out to develop the manufacture of civilian products is a significant part of our work of building the new military-civilian industry. Currently, the military production task of a number of enterprises has been reduced, and they are making a relatively sharp turn in planning their production. Under these circumstances, they should "not mind the numerous varieties and small value" of the products they are going to make, but fully exploit their capabilities and favorable conditions to manufacture goods to meet civilian needs and, after 2 or 3 years of effort, select the best ones with their own characteristics and suiting the market demands as their pillar products. All enterprises should look to themselves to develop their own potential instead of waiting for, and depending on, outside assistance. They should give full play to their own favorable conditions and make self-development in such a way as to "roll a snowball" so that it will gather material as it rolls.

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CSO: 4006/602

INDUSTRY

NINGXIA INDUSTRIAL ENTERPRISES REPORT GOOD RESULTS

Yinchuan NINGXIA RIBAO in Chinese 18 Jul 85 p 1

[Report by Jin Xun [0093 6598]]

[Text] Ningxia's industrial enterprises have persevered in the policy of reform, relaxation and revitalization, and have strengthened business management and vigorously emphasized the conversion of loss to profit. Heartening increases in profits and taxes have exceeded the extent of growth in output value. The gross value of industrial output for the first 6 months constitutes 54.9 percent of the plan for the entire year, with an increase of 23.9 percent over the corresponding period last year. Profits and taxes--including the profits and taxes delivered to the state-- realized by the 186 industrial enterprises within the budget throughout the Region increased by 47.8 percent and 35.98 percent respectively over the corresponding period last year.

Since the beginning of this year, the various industrial departments and the leaders of the various enterprises in Ningxia have further established a correct professional guiding ideology and have changed from paying attention to speed in the past to paying attention to results. Because of price increases for certain raw materials, many enterprises have relied on technological progress to improve product quality and lower production cost. They adequately handled the price increase of raw materials within the enterprise and achieved relatively good economic results. In the first half of this year, the Changcheng Lathe Manufacturing Plant reduced the cast iron rejects by 353 tons compared to the corresponding period last year, lowered the reject rate from 15.83 percent to 6.03 percent, and increased profit by 320,000 yuan. Statistics show that in the first 6 months, the industrial enterprises within the budget throughout Ningxia have lowered their comparable production costs by 2.96 percent compared to the corresponding period last year. The industrial enterprises throughout the Region have also popularized and applied 24 new technologies. The compound mineralizing agent popularized and applied by the small cement factories have upgraded 55 percent of the cement to grade 425, thereby increasing monthly income by 520,000 yuan.

In the reform of the economic system, the industrial enterprises have further improved the economic responsibility system internally, mobilized the enthusiasm of the enterprises and staff members and workers in business and production, and improved economic results. In the first 6 months, the number of deficit enterprises within the budget throughout the region was reduced by 59.6 percent commpared to the corresponding period last year, and the amount of deficit has been reduced by 52.8 percent. The Ningxia heavy industry department and the Pharmaceutical and Construction Materials General Company are operating zero-deficit enterprises. Since the beginning of this year, definite progress has been made in the dissemination of industrial products. Some component and spare parts of such products as coal machinery, ball bearings, meters, lathes, cranes and tractors have been distributed to over 20 enterprises in 5 cities and counties. This has increased the output of the marketable products and the fine-quality name-brand products. The Yinchuan Walking Tractor Plant has distributed the production of 80 percent of its small four-wheel tractor parts to other enterprises. In the first half of this year, the output of small four-wheel tractors has increased from 294 sets last year to 1,265 sets, realizing a profit of 1.34 million yuan and fulfilling the profit plan for the entire year.

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CSO: 4006/929

INDUSTRY

BRIEFS

HUBEI RICE PROCESSING PRODUCTION--During the Sixth 5-Year Plan period, Hubei's grain departments expedited the pace of technological transformation of the cereals and oils industry, thereby improving the supply and processing output of polished rice, polished flour, and refined oils. In 1985, the processing output of first grade polished rice increased by over 70 percent, and that of first grade polished flour increased by over 75 percent. The number of new items of processed foodstuffs totaled more than 700. [Summary] [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 15 Jan 86 HK] 12624

GUANGXI REDUCES LOSSES--According to statistics the loss incurred by those state-run industrial enterprises which ran at a loss and which were covered by the 1985 budget, decreased by 39.9 percent over 1984. This overfulfilled the state's target for loss reduction by 5.9 percent. The number of incurring a loss enterprises in 1985 decreased by 55 over 1984. These enterprises accounted for 22.7 percent of all the enterprises in 1985, compared with 25.5 percent in 1985. [Summary] [Nanning Service in Mandarin 1100 GMT 14 Jan 86 HK] 12624

HENAN INDUSTRIAL PRODUCTION DEVELOPS--According to statistics, Henan Province's industrial output value in 1985 was 31,848 million yuan, an increase of some 19 percent over 1984. The province overfulfilled its annual quota for industrial production by 98 percent. The province's heavy industrial output value in 1985 was some 16 percent more than in 1984. The province overfulfilled its annual quotas for the production of raw coal, rolled steel, and electricity output. The province's gross light industrial output value in 1985 recorded an increase of some 21 percent over 1984. The province also fulfilled its annual quotas for the production of daily-use goods such as cloth, woolen yarn, and cigarettes. Output by bicycles, clocks, watches, television sets, recorders, and cameras also increased to different degrees. The gross industrial output value of the enterprises under ownership by the whole people in our province in 1985 was 14.8 percent more than in 1984. The gross industrial output value of the collective enterprises increased by some 35 percent. [Summary] [Zhengzhou Henan Provincial Service in Mandarin 2300 GMT 16 Jan 86 HK] 12624

CSO: 4006/602

BEIJING, TIANJIN CUT BACK ON CAPITAL CONSTRUCTION

255 Projects in Beijing Deferred

Beijing JINGJI RIBAO in Chinese 24 Aug 85 p 1

[Report by Guo Zhongyi [6753 0112 5030]]

[Text] The Capital Development Planning Commission, which consists of related ministries and commissions and the Beijing Municipal People's Government, made a decision on 23 August to defer the construction of 255 projects to reduce the scale of capital construction, strictly controlling the total investment to below the limit set by the state this year. Of the postponed projects, 190 fell under the jurisdiction of units of the central authorities.

Up to the end of July, capital construction investments approved by central or municipal authorities in Beijing totalled 7.35 billion yuan, which doubled last year's investment. If the projects meet with the requirements for construction of the various central and local units, the construction area this year will be more than 30 million square meters. This is beyond the state's current financial and material capabilities as well as that of the urban infrastructures. This will create a shortage of construction materials and lack of turnover housing for relocation. The construction cycle of some projects may be lengthened and the quality of some projects may suffer. Urgent construction projects will not be completed on time.

In accordance with the guiding spirit of State Council leading comrades, the Capital Development Planning Commission has decided to adopt the following measures: We must strictly examine new projects and no longer approve additional construction projects submitted in the latter half year. We must strictly control new construction projects. In principle, no more projects will be planned this year with the exception of those residential quarters, hospitals, schools, foreign affairs facilities, joint ventures with signed contracts, and municipal or public facilities that have begun preparations for construction. We must vigorously promote the contract bidding system in order to choose the best construction units. Those projects without bidding are banned from construction. We must concentrate our effort on emphasizing the completion of construction and strengthening the construction of municipal and public complementary facilities in order that the completed projects are made available for use. Without the approval of the municipal construction committee, no units should employ construction teams from other provinces and cities. Checking and consolidation of the active construction teams from other provinces and cities must be carried out. Those teams with below-standard technical capabilities and improper organization must leave Beijing gradually.

Capital Construction Slashed in Tianjin

Beijing JINGJI RIBAO in Chinese 24 Aug 85 p 1

[Report by Guo Maosheng [6753 5399 3932]]

[Text] Proceeding from realities, the Tianjin Municipal People's Government has reduced capital construction investment by adopting the policy of combining postponement, reduction, cancellation, adjustment and guarantee, significantly shortening the municipal capital construction front and stepping up construction of key projects.

The total investment in fixed assets planned for the entire municipality this year is 5.4 billion yuan, of which capital construction investment totals 2.97 billion yuan. In order to reduce capital construction investment and avoid making a clean cut in total disregard of realities, the municipal people's government has organized relevent departments to investigate the projects involving investments in fixed assets, classify them and deal with each project individually. The plans for necessary long-term projects which cannot be started at present should not be cancelled, but should be deferred this year. For the large-scale projects which require too much capital investment, the less urgent components should be cancelled. The office buildings, halls, hotels or guesthouses which are not closely related to the development of production and to the people's life should be resolutely cut. The idle workshops and equipment of those enterprises which have closed down, stopped production, merged, and shifted production should be transferred to those units which urgently need these facilities. The construction of key projects that can accelerate progress in energy, communications, and technology should be guaranteed in every possible way.

Because the guiding ideology is clear and the method is feasible, investment in the local fixed assets throughout the municipality has been reduced to 3.8 billion yuan, which is 1.6 billion yuan less than the planned investment at the beginning of this year. Of this, capital construction investment has been reduced to 2.23 billion yuan, 0.74 billion yuan less than the planned capital construction investment at the beginning of this year. A total of 279 projects involving more than 0.8 million square meters of floor space have been deferred, reduced or cancelled. The municipal people's government was the first to axe the plan for rebuilding its two halls. According to the above method, 945 projects that have submitted their application for construction in the first half of the year are delayed until the fourth quarter, pending the rigorous examination and approval by the departments in charge.

Meanwhile, the Tianjin Municipal People's Government has concentrated financial and material resources as well as manpower to speed up the construction of 123 necessary key projects. Of the 37 key technological transformation projects, 35 have begun construction one after another. It is estimated that 32 of these projects will be completed this year. Currently, 3.15 million square meters of the 3.2 milion square meters of residential housing quarters, which make up the principal part of the project, have been completed. It is estimated that the project will be completed ahead of schedule.

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CSO: 4006/932

CONSTRUCTION

NEW PHASE OF CHINA'S CONSTRUCTION BUSINESS REPORTED

Beijing JINGJI RIBAO in Chinese 12 Sep 85 p 1

[Report by Gong Jiao [7895 8032]]

[Text] In recent years the construction industry throughout China has developed rapidly in the course of the reform. According to data offered by relevant departments, during the Sixth 5-Year Plan period, the entire construction industry expects to fulfil over 320 billion yuan in construction output value, 153 percent over the plan; and expects to complete 920 million square meters of floor space for various types of houses, 132 percent over the plan. Besides shouldering the tasks of domestic capital construction, updating and transformation, the construction industry has vigorously developed the business for foreign contract projects. It has successively signed contracts in construction and labor cooperation with over 60 countries and regions, worth more than $42 billion.

Currently, there are 9,400 state-owned and urban collective construction units throughout the country, with more than 8 million workers, 20 percent more than 1980. The major construction machines, such as the excavator, bulldozer, scraper and crane, have increased. The extent of technological equipment and the mechanization in construction have continuously improved. The technical competence in design and construction has also improved markedly. Many large-scale and technologically-complex construction projects which could not be undertaken in the past, such as an iron and steel joint enterprise with an annual production capacity of 3 million tons, or a large-scale coal mine with an annual production capacity of 4 to 5 million tons, can now be successfully completed.

The overall reform of management in the construction industry has provided a guarantee for the fulfillment of construction tasks. Last year the Central Committee and the State Council approved a series of important policies on accelerating the reform of the construction industry's system of organization, which enabled the industry to enter into a new phase of development. The outlook of the entire industry has changed in the following respects:

Various Forms of the System of Contract Responsibility Have Been Implemented

Statistics show that by the end of June the state-owned construction units have instituted over 70,000 projects through various forms of contract responsibility, involving over 100 million square meters of floor space, 83 percent of the total construction floor space. With establishment of the economic responsibility system within an enterprise, the income of the enterprise and its staff members and workers was directly linked with the final products of labor, hence mobilizing the enthusiasm of the staff members and workers in labor.

Reform of the System of Employment in the Construction Industry Has Stimulated Initial Changes in the Composition of the Rank and File

The proportion of permanent staff in the state-owned construction industry has dropped from 81 percent in 1980 to 77 percent in 1985, while the proportion of contract workers and temporary workers has increased commensurately. The rural construction teams have developed rapidly, with the employment of nearly 8 million people. They have become an important force in the nation's urban and rural construction.

The Administrative Organs Have Gradually Been Perfected and the Reform in Design Has Been Instituted on a Broad Scale

Engineering quality control stations have been established in 130 cities throughout China. Urban comprehensive development companies and engineering contracting companies also have been successively set up in various prefectures and sectors. Most of the state-owned prospecting and design institutions have implemented management in the form of an enterprise and have instituted the contract responsibility system inside the enterprises.

Economic Results Have Been Improved and Initial Success Has Been Scored in Contract Through Bidding

In 1985 the labor productivity of the state-owned construction industry is expected to improve by more than 60 percent compared to 1980, with an average annual growth of nearly 10 percent. The reduction rate of engineering costs in the past 4 years has been between 6 and 8 percent each year. Initial success in reducing costs and shortening the construction cycle has been scored by those projects which have implemented contract through bidding. In light of the projects contracted through bidding in Dalian, Tianjin, Guangzhou, Xi'an and other cities, the construction cost is generally about 8 percent lower than the estimate, and the construction cycle is roughly 20 percent shorter than the schedule.

The current major problems in reforming the construction industry system of management of the are: The development of the various localities is still unbalanced, the scope of the system of contract through bidding is still limited, the contract responsibility system awaits further refinement, and quality of construction still needs to be significantly improved.

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CSO: 4006/978

BRIEFS

URUMQI FERTILIZER PLANT COMPLETED--The construction of the chemical fertilizer plant at the Urumqi Petrochemical General Plant, one of the country's 70 large and medium-sized key construction projects, was completed yesterday, and trial operation was successful. This plant is the largest modernized chemical industrial plant constructed in Xinjiang since liberation. It consists of a synthetic ammonia installation and a urea installation with an annual production capacity of 300,000 tons, a bag weaving installation with an annual production capacity of 17 million bags, and corresponding systems engineering, involving a total investment of over 580 million yuan. Annual production of this chemical fertilizer plant will be 520,000 tons of urea, equivalent to the gross volume currently required in Xinjiang every year. [Text] [Haikou HAINAN RIBAO in Chinese 2 Aug 85 p 4] 9335

CSO: 4006/932

OVERSEAS INVESTMENT IN OFFSHORE OIL DESCRIBED

HK270909 Beijing CHINA DAILY in English 27 Dec 85 p 1

[Article by Xu Yuanchao]

[Text] More than $1.7 billion has been invested in oil and gas exploration on China's vast continental shelf since 1979.

Funds have come directly from foreign oil companies as well as bank loans from international financial organizations, said Qin Wencai, president of the China National Offshore Oil Corporation (CNOOC).

He told a press conference yesterday that Chinese sub-contractors had received $800 million for services to foreign oil companies operating in the offshore areas.

As of November, Qin said, 110 exploratory wells had been struck, 41 of which had hit oil and gas. Six of those wells are set to produce more than 1,000 tons of crude a day.

The drilling of 60 production wells in the Chengbei oil field of the Bohai Sea has been completed and commercial production started this year. A major oil field is also being developed in the Beibu Gulf of the South China Sea by Total Chine of France. Named Wei 10-3, the oil field was expected to go into operation late next year, Qin said.

The Yacheng 13-1 gas field in the South China Sea, discovered by Atlantic Richfield Corporation (ARCO) of the United States, is also to be commercially developed.

Its 90 billion cubic metres of gas reserves will be sold to coastal cities in South China's Guangdong Province for domestic and industrial fuel and to generate electricity.

Qin said that the BZ 28-1 oil-bearing structure in the Sino-Japanese co-operation zone of the Bohai Sea has to be developed and that feasibility studies for the other six oil-bearing structures were under way. They include the Huizhou 21-1 discovered by ACT group. Xijiang 24-3 found by Philips of the United States, Wenchang 19-1 structure by Esso of the United States, and BZ 34 in the Sino-Japanese co-operation zone of the Bohai Sea, and two major structures discovered independently by the Chinese.

The second round of bidding started in November last year when the oil prices in the international market were declining. But some large oil companies looking at the oil situation from a strateigc point of view have pinned their hopes on China's continental shelf.

He said: "They hope to increase their oil reserves, so do we. Of course we will let them make some profits."

So far there are four contracts signed in the second round of bidding. Qin predicted that six of seven contracts would be signed in the first half of next year.

Some foreign oil companies have given up on China after drilling a few dry wells. "They think it is hopeless to look for large oil fields in China. This isn't logical but can be understood because they didn't find any in their own contract blocks," Qin said.

China has so far signed 28 contracts with 39 oil companies from 12 countries. Some leading oil companies who failed in the first round of bidding now expect to participate in the second round, he said.

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CSO: 4010/2005

LIAONING TO EXPAND LABOR SERVICES ABROAD

OW161018 Beijing XINHUA in English 0740 GMT 16 Jan 86

[Text] Shenyang, January 16 (XINHUA)--Northeast China's Liaoning Province expects to sign overseas construction and labor service contracts worth 200 million U.S. dollars in the next 5 years, it was reported here today.

This will double the value of such deals struck by the Liaoning International Cooperation Company--the firm offering the services--since its inauguration in 1981, said Deputy General Manager Zhang Yongxin.

He also foresaw the possibility of sending 10,000 workers from his firm to carry out contract commitments abroad between 1986 and 1990--2.5 times as many as the total in the previous 5 years.

The company has undertaken 47 projects involving construction of factories, roads, bridges, hotels, apartment buildings and sports facilities in 30 countries, mainly in the Middle East, North Africa and Southeast Asia.

It has also sent 3,900 technicians, managers, doctors, teachers, chefs, seamen and skilled workers on overseas jobs, Zhang said.

In addition to undertaking construction projects, the corporation will set up joint ventures and cooperative businesses to develop fisheries and animal husbandry in other countries during the 1986-90 period, he said.

It will also offer foreign firms services such as technical consultancy, feasibility studies, project survey and designing, raw material supplies, equipment installation and personnel training.

Zhang said his firm now employs 65,000 technicians and workers, and is backed by 200 million yuan in capital.

Last year, the corporation sent eight bidding groups to Egypt, Jordan, Nigeria, Pakistan, the Philippines, Thailand and Tunisia.

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CSO: 4020/186

ZHEJIANG DOUBLES SERVICE INDUSTRY MANPOWER

OW171150 Beijing XINHUA in English 1125 GMT 17 Jan 86

[Text] Hangzhou, January 17 (XINHUA)--Zhejiang Province in eastern China has over 3 million people working in the service industry, nearly double the figure for 1979, according to a provincial official.

Feng Renyi, from the provincial Statistics Bureau, said Zhejiang's service industry involves communications, posts, telecommunications, commerce, storage, catering, tourism, finance, technical consultancy, culture, education, scientific research and other public services.

A big development has taken place in the province's urban and rural retail, catering and service trades. It now has 600,000 shops and restaurants, an increase of seven times since 1979.

Zhejiang Province now has 100,000 township factories and 250,000 household workshops. They need material supply and product sales services, and this is another factor that has inspired the development of the province's service industry, the official said.

According to the provincial Statistics Bureau, more than 1.56 million peasants have joined the service industry, mainly in commerce and commodity circulation.

They have set up 489 single-product markets and 2,000 agricultural and native produce markets throughout the province.

They have also set up "Zhejiang Streets" to sell their products in some cities in northwestern and southwestern China.

The bureau said half the province's rural labor force--about 8.6 million peasants--are engaged in industry, commerce, transportation and processing industry.

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CSO: 4020/186

LABOR AND WAGES

LABOR TRANSFER ANALYZED

Kunming JINGJI WENTI TANSUO [INQUIRY INTO ECONOMIC PROBLEMS], in Chinese, No 5, 20 May 85 pp 5-8

[Article by Liu Xuanli [0491 6693 0448]: "On the Question of Labor Transfer in the Reform of the Economic Structure"]

[Text] Since the 3d Plenum of the 11th CPC Central Committee and with the relaxation of the economic policy and the gradual eradication of leftist ideology, rapid changes have taken place in the internal industrial structure of the national economy, and the transfer of labor forces among the various enterprises has become invigorated.

In the rural areas, implementation of the output-related responsibility system fully aroused the masses enthusiasm for production. The past exclusive engagement in grain production has been eliminated and replaced by all-round development of agriculture, forestry, animal husbandry, sideline production and fishery. In addition, large numbers of laborers have been freed from the land and have engaged in various trades and undertakings other than agriculture. Commune and production brigade enterprises, joint enterprises as well as individual enterprises are rapidly developing. The rural workforce is being redistributed according to the new ratio among the various industrial sectors in the rural areas. In the urban areas, the onesided emphasis on heavy industry and neglect of light industry and service trades of the past are now changing. After restructuring, not only has light industry developed to a relatively great extent, but heavy industry has also changed its direction of service, with a drop in the percentage of self-service. Hence, labor transfer has taken place inside industry also.

The question of labor transfer is a major issue urgently awaiting study. This article will explore some basic aspects.

I. The Reason for and Direction of Labor Transfer

A. Labor transfer is not an accident but a necessary trend and the inevitable result of the development of science and technology, changes in the industrial structure, and improvements in labor productivity of the various sectors.

First, with respect to consumption, Marx once said that, in order to obtain the consumer products which they need, men must distribute the labor forces of the entire society proportionately among the various sectors of social production. However, consumption changes tremendously in both its quantitative structure and qualitative structure over time. Men must therefore readjust the structure of their investment in labor in order to meet the needs of consumption.

Second, with respect to obsolete sectors, with the development of production and progress in science and technology, the following two circumstances will appear: (1) Division of labor will become more elaborate. Any link in the process of production of the past will gradually be expanded into a huge subsector. (2) With the development of science and technology, the organic structure of an old-fashioned production sector will continue to improve, and the average means of production expedited by each worker will rapidly increase, thereby reducing the relative need for labor force. To a certain extent, the need will even be absolutely reduced in that sector.

Third, with the development of human society and the application of advanced science and technology, new production sectors will emerge one after another. These new sectors often represent men's future trend of consumption and demand for modernized large-scale production. The rise and development of these sectors will inevitably bring about a transfer of large numbers of laborers to them.

Thus it is obvious that labor transfer has its profound economic source. It represents the level of the productive forces and the extent of a nation's civilization.

B. The form of labor transfer.

Labor transfer is a complex movement. In this process, there is quantitative transfer as well as qualitative change. Quantitative transfer can be summarized in the following two forms.

1. Relative transfer: This refers to the distribution in a different proportion from that of the past of society's newly-increased labor forces among the various sectors. This results in a relative proportional change in the labor forces of the various sectors. This type of relative transfer is based on the different situations in the organic composition of the various sectors. The percentage of newly-increased labor force is oftentimes smaller than in the past for those sectors with a high rate of improvement in their organic composition, and larger for those sectors with a low rate.

2. Absolute transfer: This refers to the withdrawal of laborers from their former production undertaking and the entry into a different undertaking. This is the result of the development of productive forces, which results in the absolute reduction of the need for labor in a certain undertaking. This absolute flow can again be classified into the following two forms: (1) Flow within an industry. This is primarily based upon the division of labor and specialization inside an industry. In agriculture, labor transfer involves a transfer from cultivation to animal husbandry, forestry, or fishery. In industry, the labor transfer is from heavy industry to light industry, or from a self-serving industry to a consumer goods industry. Currently, many heavy-type machinery plants in China have switched to the production of electric fans, wristwatches, bicycles, radios and other consumer products. This

reflects an objective trend of development. (2) Transfer among industries: This type of transfer is based intrinsically on the unbalanced development of the various industries. There are two basic forms. First, the transfer among productive sectors, which is concretely manifested in the transfer from the primary industries to the secondary industries. This is currently widespread in China's rural areas. There are diverse forms, such as leaving the land but not the home village, leaving the land and leaving the home village, becoming contractors of state-owned or local state-owned enterprises, or seeking employment in collective, joint or private enterprises. Second, the transfer from productive to nonproductive sectors; that is, the transfer from the primary and secondary industries to the tertiary industries. This type of transfer is escalating in the developed countries. This recently has been noted with importance in our country, where a trend toward transfer has appeared.

Quantitative transfer of labor force indicates that this type of transfer involves relative transfer and absolute transfer. What requires further explanation is that quantitative transfer is accompanied by qualitative transfer, the process of which can be summarized as follows: Simple manual labor-->skilled labor-->technical labor-->creative labor. In the course of transfer from simple to complex labor, with the emphasis on education, the newly-increased labor force undoubtedly will embrace a higher level of knowledge than that of the past. At the same time, with the development of all kinds of vocational schools, evening universities and television universities, the level of knowledge and technical ability of the in-service personnel will gradually improve.

II. The Sequential Nature of Labor Transfer

Superficially, labor transfer appears disorderly and unsystematic. However, a close analysis will show that there is a certain regularity and order inside it.

The first stage is the arrangement for newly-increased labor forces. This is the foremost problem to be solved in the course of labor transfer. Generally speaking, the level of knowledge of these laborers is higher than their predecessors. They are young and strong, with great flexibility. Society can easily carry out directional training on them in accordance with the changing structure. If these people can enter the realm of production without delay and take up duty at the moment when their knowledge iscomprehensive and their technology is skilled, they can create more material and spiritual wealth for society. Conversely, if their employment is delayed, or when they become high-level laborers in their old age, then they will have fewer opportunities to render contributions to society.

The second stage is the internal transfer of labor force in agriculture. In the past, under the interference of the leftist ideology, agriculture was turned into a single-crop undertaking and a single-grain endeavor. Men's daily needs, however, are multifaceted. They not only must eat grain, they must also eat meat, eggs, and fish, and drink milk. To beautify the living environment, men also need trees. From the ecological standpoint, agriculture, forestry and animal husbandry depend upon and promote one another. After the food problem has been resolved, the labor forces will inevitably turn toward forestry, animal husbandry, sideline occupations and fishery. This not only satisfies the people's basic livelihood needs, but also obeys the law of natural ecology.

The third stage is labor transfer from the agricultural sector to the industrial sector. This can roughly be regarded as labor transfer from the primary industries to the secondary industries. This transfer will inspire a leap in the productive forces, and mankind's ability to overcome nature will increase considerably.

The fourth stage is labor transfer inside industry. The normal path of this transfer is from light to heavy then back to light industry. After light industry has developed to a definite extent, it will exert urgent demands for the development of heavy industry. The highly-developed heavy industry will in turn inevitably stimulate the more rapid development of light industry in order to satisfy various human needs. A transfer from heavy industry to light industry for civilian use has recently appeared in China. However, this is not the second stage which involves the normal transfer within industry, but rather is a correction of the order which in the past was reversed in the first stage. This is entirely necessary.

The fifth stage is labor transfer from agriculture and industry to the tertiary industries. After industrial production has developed to a certain extent, it will repel its own surplus labor force. At the same time, due to the support for agriculture during the stage of high-level development of industry, agricultural labor productivity advances by leaps and bounds, resulting again in a surplus in labor forces. Under such circumstances, the labor forces of the two major industries will flow toward the tertiary industries. Obviously, the rapid inflation of the tertiary industries is the result of the high-level development of the primary and secondary industries. Without this it will be impossible to rapidly increase the employment volume of the tertiary industries. This is because: (1) Only with the high-level development of the primary and secondary industries will there be highly-developed credit and commercial operations that go hand in hand with the various links within the primary and secondary industries, among these industries, and between these industries and their consumers. (2) The clothing, food, lodging and transporation of tertiary industry workers must be provided by the primary and secondary industries. Without the material guarantee from these two sectors, these people will not be able to perform their work. (3) Precisely with the high-level development of the primary and secondary industries, men are making new and higher demands on consumption, especially with respect to labor services and spiritual needs.

In short, labor flow and transfer is a complex process. But transfers at the various stages proceed in this fashion, temporally one after another and spatially one on top of another. We should emphasize the predominant position of the various stages. In this way, the sequential nature of labor transfer will become obvious.

The order of labor transfer which the advanced capitalist countries have traversed is basically the same as analyzed above.

Table: Employment Characteristics of the Three Major Industries in the Major Capitalist Countries

Unit: 10,000 people

Industry / Year	U.S.			Japan			F.R.G.			U.K.		
	第一产业 (1)	第二产业 (2)	第三产业 (3)	第一产业 (1)	第二产业 (2)	第三产业 (3)	第一产业 (1)	第二产业 (2)	第三产业 (3)	第一产业 (1)	第二产业 (2)	第三产业 (3)
1950	751	2,217	2,247	1,853	945	858						
1955	673	2,417	2,580	1,768	1,129	1,212	92	978	643	107	1,194	864
1960	572	2,440	2,983	1,449	1,483	1,529	362	1,274	938	62	1,121	1,017
1965	459	2,586	3,458	1,212	1,805	1,728	288	1,331	1,024	49	1,155	1,112
1970	346	2,901	4,291	704	1,958	2,595	226	1,291	1,100	78	1,091	1,267
1975	338	2,705	4,948	661	1,871	2,690	182	1,162	1,159	68	1,046	1,358

Key:

1. Primary industry
2. Secondary industry
3. Tertiary industry

From the above table, we can see that: (1) Primary industry reached its peak in labor investment much earlier than secondary industry. While the labor forces of the secondary industries were on the ascent, those of primary industry were on the descent. The experience of capitalist countries shows that the decrease in agricultural labor forces was first manifested in the proportionate increase of the flow of the newly-increased laborers to the city. Later on, it was manifested in the abandonment of agriculture by the agricultural laborers for industry and commerce. (2) Employment within secondary industry has followed a wave pattern. In the United States, employment in secondary industries reached its highest point in 1970; in Japan, 1973; in West Germany, 1965; and in the United Kingdom, 1955. After reaching their peaks, employment figures began to drop. (3) Employment in the tertiary industries is rapidly increasing. Its speed is accompanied by the steady decline of the primary industry labor force and the early stages of decline in secondary industry.

At present China is essentially in transition from primary to secondary industry. Thus, although one approach we should take is to arrange definite labor forces for the service trades, we should observe a definite quantitative limit and must not disregard China's realities and compare ourselves with the advanced capitalist countries by investing large numbers of laborers in the tertiary industries and converting them in effect into relief agencies. The situation at home is different from that of the capitalist countries. The extent of development of our primary and secondary industries is still far from sufficient; we cannot measure up to foreign standards. To be sure, we have abundant labor resources, but at present we are unable to sufficiently place everyone in the realm of production. In order to reduce society's burden and avoid an excessive decline in production efficiency, we should deploy more labor forces in the tertiary industries at the same income level. This proportion, however, will continue to be far smaller than that of the advanced countries, a proportion that we at this point cannot attain, and must not arbitrarily try to attain.

III. The Prerequisites for Labor Transfer

There are preconditions for labor transfer among industries and within each industry itself without which the transfer cannot begin spontaneously. An arbitrary transfer by men may also bring about a backflow of temporary transfers, which are meaningless and devoid of economic results. The preconditions for labor transfer can be viewed in the following two respects. From the individual worker's standpoint, the following are necessary before he can change his profession: (1) The sector from which he transfers has either long working hours or low income. (2) The sector to which he transfers has either shorter working hours or higher income. (3) The sector to which he transfers is superior to the sector from which he comes in terms of working conditions and cultural livelihood. (4) The laborer possesses the ability to handle the work in the sector to which he transfers. Given these factors, the worker often is willing to transfer his labor force.

From society's standpoint: (1) In terms of the sector from which one transfers, the condition $\Delta C \leq \Delta V + \Delta M$ must be satisfied. Then, if the laborer who is replaced obtains employment opportunity in another sector, the national income will increase, with the amount of increase equal to $\Delta V + \Delta M - \Delta C$. If $\Delta C = \Delta V + \Delta M$, then the national income will remain unchanged (the labor transfer under this circumstance is meaningful to readjusting an irrational industrial structure and accelerating the production of products in short supply). A third situation is: $\Delta C > \Delta V + \Delta M$. Under this circumstance, the labor transfer will bring about a reduction of national income, which will not be meaningful (this circumstance, however, is meaningful during war years, since we can substitute manpower with our previous accumulation, rapidly mobilize all forms of manpower, and enable more men to join the war and defend their country). (2) In terms of the sector to which one transfers, its labor productivity should be higher or at least equivalent to the labor productivity of the sector from which one transfers. Also, this kind of transfer is only necessary when labor forces truly need to be supplemented.

The above are the general preconditions for labor transfer. In actuality, the preconditions for transfer in different countries often are not entirely the same. In the economically developed countries, the outflow of agricultural labor force only needs to satisfy $\Delta C \leq \Delta V + \Delta M$. However, in a poor and backward country, $\Delta C \leq \Delta V + \Delta M$ is not enough. The following two preconditions must also be satisfied: (1) The outflow of labor force will not cause land productivity land to drop, nor will it hinder its normal rate of growth. (2) The profit rate of funds must increase, or at least not decline.

Having satisfied the above two additional preconditons, the transfer will not only improve economic results, but neither will it affect such indicators as gross output. China falls into this latter category. In labor transfer, we must take into consideration the two additional preconditions.

Formerly we did not take economic results into consideration when implementing rural mechanization. The use of large-scale machinery in large quantities basically corresponded to $\Delta C > \Delta V + \Delta M$. Since implementation of the responsibility system, these high-cost large-scale machines have been eliminated readily and replaced by inexpensive small multipurpose machines, which very soon became predominant in the rural areas. This is inevitable. In light of our country's situation, even with $\Delta C \leq \Delta V + \Delta M$, we must not transfer labor forces blindly and must pay attention to its effect on unit output. We should also pay attention to whether or not there is an appropriate sector to transfer to. Labor force is a mobile resource. Without the corresponding means of production, it will disappear. Thus whereas conditions may correspond to $\Delta C \leq \Delta V + \Delta M$, $\Delta V + \Delta M$ will fail to materialize as value and will be wasted if the labor force that is transferred is unemployed. This means that the ΔC which replaces it is wasted, and is obviously not worthwhile. Thus, in labor transfer, we do not simply transfer when we say so. There must be definite objective factors which will make labor transfer effective and worthwhile, one which will ultimately be realized.

In sum, labor transfer is a new problem that we are currently encountering. Rural laborers are joining the transferring ranks on a daily increasing basis. We must conscientiously study this phenomeonon without delay, enhance correct guidance over it, enable the structure of our country's rural and urban labor forces to become more rational, and revive our national economy in the midst of this transfer.

9335
CSO: 4006/878

BRIEFS

BUS DRIVERS STAGE WORK SLOWDOWNS--Beijing, Jan 9 (AFP)--Bus drivers in Shanghai have mounted wildcat work slowdowns demanding higher wages, a reliable source said today. The drivers, angry because their pay rises were lower than those given office staff in the city transportation department, were skipping stops and making lengthy stops at public toilets, leaving disgruntled passengers to wait in the crowded buses, said the source who visited Shanghai recently. Officials in the eastern metropolis could not immediately be reached for comment on the slowdown, which was continuing when the source left Shanghai late last week. The protest followed a slowdown by bus drivers and ticket sellers in Beijing last month. Beijing transport workers complained that their wages were only a fraction of the money earned by taxi drivers, who enjoy a more comfortable working environment. Chinese public transport workers earn about 100 yuan ($33) a month for a 6-day week, compared with nearly four times as much for some taxi drivers. China's overcrowded and slow public transport systems have been further strained by increased movement of goods and people resulting from reforms enlivening the Chinese economy. A popular short story titled "Bus Aria" and describing difficulties encountered by transport workers and passengers and urging patience recently won a top Chinese literary award. [Text] [Hong Kong AFP in English 0908 GMT 9 Jan 86 HK]/12766

CSO: 4020/186

HONG KONG AIRLINES WILL NOT GET REQUESTED CHINA ROUTES

HK230726 Hong Kong AFP in English 0629 GMT 23 Dec 85

[Text] Hong Kong, Dec 23 (AFP)--Hong Kong's fledgling airline, Dragonair, today lost its battle to fly two coveted China routes.

The airline had applied to run scheduled flights to 10 Chinese destinations, but the Air Transport Licensing Authority (ATLA) granted only eight.

A Dragonair spokesman said the airline was disappointed over ATLA's refusal to give it wings to fly to the coveted Beijing and Shanghai routes.

The airline had said the routes were vital to guarantee its operating viability.

Hong Kong's traditional airline, Cathay Pacific, which already had Beijing and Shanghai in its network, had contended at a recent ATLA hearing here that to have another airline on the same routes would set the two "on a collision course."

Under ATLA's ruling, Dragonair now has permission to operate scheduled runs to such Chinese destinations as Guangzhou, Nanjing and Shenzhen, which is the Special Economic Zone in southern China, adjacent to Hong Kong.

Details of the new flights have yet to be mapped out between the Hong Kong and Chinese aviation authorities.

Dragonair was formed here earlier this year, reportedly with Beijing's backing, but currently it has only one hired Boeing 737 jet.

It is chaired by local magnate sir Y.K. Pao -- described by official Chinese press as a "patriotic businessman" -- after a recent reshuffle in ownership.

/12624
CSO: 4020/184

FUJIAN REPORTS SUCCESS IN ROAD, SEA TRANSPORT

OW140842 Beijing XINHUA in English 0752 GMT 14 Jan 86

[Text] Fuzhou, January 14 (XINHUA)--Fujian Province, now improving infrastructure facilities to better carry out the open policy, has built 3,480 km of rural roads, and widened or asphalted 3,900 kilometers since 1981.

The province, now open to foreign investment, has a 36,000-km road system, said Zhang Jinhua, director of the Provincial Transport Bureau, here today.

Improvements during the Sixth Five-Year Plan period (81-85) were "especially marked" in Fuzhou, the provincial capital and one of China's 14 open coastal cities, and the Xiamen Special Economic Zone which faces Taiwan across the Taiwan straits.

The port of Mawei in Fuzhou handled 3.44 million tons of cargo last year, a 65 percent increase over 1980.

Zhang attributed this to two new berths for 10,000 dwt ships and another two for 5,000 dwt ones built during the past five years.

Also during the last plan period, Dongdu Port in the Xiamen Special Economic Zone added four berths for 10,000 to 50,000 dwt ships, increasing its annual cargo handling capacity by 60 percent to 2.65 million tons.

There are 20 government-owned international shipping companies in Fujian, Zhang said. They own 110 ships with a combined capacity of 100,000 tons.

Since 1981, Fujian has opened shipping routes to 38 ports in eight countries including Japan, Singapore, the Philippines and Thailand, as well as scheduled passenger and cargo services to Hong Kong.

In Fujian, individuals own 75,700 motor vehicles and 7,000 freighters -- about one-third the province's total.

"The government wants to see individuals in the transport business," Zhang said. "They supplement government efforts to expand facilities."

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CSO: 4020/184

REGULATIONS ON AVIATION MANAGEMENT ISSUED

OW200227 Beijing XINHUA Domestic Service in Chinese 0903 GMT 15 Jan 86

[Text] Beijing, 15 Jan (XINHUA)--The State Council issued provisional regulations on general aviation management on 8 January.

The regulations say: In order to promote the healthy development of general aviation, to maintain the public interest, and to ensure flight safety, all flight activities utilizing civil aircraft to engage in production for industry, agriculture, forestry, animal husbandry and fishery; operational flights for national construction; flights involving medical and sanitary work, rescue and natural disaster relief work, oceanic and environmental monitoring and surveying work, scientific experiments, educational training, cultural and sporting activities and touring activities (all under the term of general aviation) will fall under the administration of the Civil Aviation Administration of China (or Civil Aviation Administration).

The regulations point out: Units or individuals that engage in general aviation and enterprises that operate in the business of general aviation should all go through the procedures of application and approval in accordance with the regulations. The Civil Aviation Administration will review and approve applications and issue general aviation permits when the application concerned is for operating inter-provincial general aviation. The regional civil aviation administrations will review and approve applications and issue general aviation permits if the application concerned is for operating general aviation within a province, an autonomous region, or a municipality. The regional civil aviation administrations will notify the Civil Aviation Administration of such applications.

The regulations point out: Those who apply for general aviation permits should meet the following conditions required for general aviation: Completion of aircraft inspection and certification by the Civil Aviation Administration, completion of aircraft registration, presentation of the flight-worthiness certificate of an aircraft, and, if an aircraft is leased from a foreign country, the lease contract should be presented. Other related certificates include licences of flight personnel, aircraft maintenance personnel, and flight dispatchers, approved and issued by the Civil Aviation Administration. Airfields and conditions for mechanical maintenance should ensure normal flight and operation.

The regulations say: Enterprises engaging in general aviation should present a general aviation permit for the registration procedure in accordance with the "Regulations on the Administration of Registration of Industrial and Commercial Enterprises." Only after having received a business license can the enterprises begin business operations. Units, individuals, and enterprises engaging in general aviation should buy insurance policies for aircraft and for third party responsibility risk from the Chinese People's Insurance Company. If approved by the Civil Aviation Administration, enterprises engaging in the business of general aviation may engage in general aviation business outside of China.

The regulations point out: When units, individuals, and enterprises make general aviation flights, they should adopt effective measures to protect the environment. The noise level and emission of harmful substances should be within state's stipulated standards. Units, individuals, and enterprises engaging in general aviation should abide by the state's laws and administrative laws and regulations, accept supervision and inspection of departments concerned, observe the regulations of civil aviation, and accept the investigation and handling of flight accidents by the Civil Aviation Administration. The Civil Aviation Administrations should support the development of general aviation and coordinate and supervise the business activities of general aviation enterprises.

The regulations conclude: The regulations come into effect on the day of issuance. Those units, individuals, and enterprises that have already been in the business of general aviation before the issuance of the present regulations should, within 3 months, go through the procedures of application and approval in accordance with the present regulations. Those who fail to do so within the time limit will not be allowed to engage in general aviation business.

/12712
CSO: 4006/599

SICHUAN HOLDS CEREMONY FOR INAUGURAL FLIGHT OF BOEING 737

HK180345 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 17 Jan 86

[Text] The Chengdu Civil Aviation Bureau and the preparatory group for the Southwest Airline Company held a ceremony on 17 January to mark the inaugural flight of the Boeing 737-300. This aircraft is the first of four purchased from the American Boeing Corporation as a joint venture by the Civil Aviation Administration and by Sichuan and Guizhou Provinces.

Vice Governor Gu Jinchi spoke at the ceremony. He said: In implementing the principle of opening up to the world and invigorating the domestic economy, the southwest region particularly needs increased air transport capacity. Putting these aircraft into operation is bound to play a stimulating role in the development of air transport in the southwest and in promoting Sino-U.S. friendship.

(Liu Zhiyi), a representative of the Civil Aviation Administration; Mr (Wayger), a representative of the Boeing Corporation, and Mr (Mackidder), a representative of the U.S. General Electric Company, spoke at the ceremony. Gu Jinchi and (Wayger) cut the ribbon. The ceremony was attended by responsible comrades of the provincial CPC Committee, people's Congress Standing Committee, government, and CPPCC, responsible persons of provincial and city departments concerned, and representatives of Guizhou Province.

Chengdu Civil Aviation Bureau and the preparatory group for the Southwest Airline Company held a cocktail party in the Jinjiang Hotel in the evening to mark the inaugural flight. The aircraft will make its first flight, to Kunming, on the morning of 18 January.

/12712
CSO: 4006/599

TRANSPORTATION

QINHUANGDAO HARBOR DEVELOPS, RANKS SECOND IN CARGO TRANSPORT

HK200814 Beijing CHINA DAILY in English 20 Jan 86 p 2

[Text] Qinhuangdao Harbor in Hebei Province, an ice-free port in north China's Bohai Bay, has become the country's second largest harbor in terms of annual cargo capacity, according to the INTERNATIONAL BUSINESS journal.

In 1985, the harbor handled 44.19 million tons of cargo, mainly coal and other exports. It ranks second only after Shanghai Harbor.

During the Sixth Five-Year Plan period, China placed great emphasis on developing the Zinhuangdao Harbor. Five new berths with modern facilities were built, expanding the harbor's capacity to 60.55 million tons a year. The harbor is also the largest center for energy exports.

To date, Zinhuangdao boasts 15 berths, with 700,000 square meters of warehouses and cargo wharves. It has short and long distance navigation routes to Japan, Korea, the Philippines, Malaysia, the U.S., Canada, Soviet Union, West Germany, Hong Kong and Macao.

Oil from Daqing oilfield, coal from Shanxi, Shaanxi, Hebei provinces and Ningxia Hui and inner Mongolian Autonomous regions, and agricultural produce from Heilongjiang, Liaoning and Hebei provinces are shipped to more than 75 countries and regions from this port.

Coal and cargo wharves, with an annual handling capacity of 30 million tons and 8 million tons respectively, are currently under construction.

By 1997, when the Datong-Qinhuangdao Railway is electrified, the Qinhuangdao Harbor will handle 100 million tons of cargo a year and become the world's largest coal export harbor.

/12624
CSO: 4020/184

CONSTRUCTION OF FOUR LOCAL RAILWAYS IN HEILONGJIANG PREPARED

Harbin HEILONGJIANG RIBAO in Chinese 23 Jul 85 p 1

[Article by Bing Yingnian [6728 6601 1628] and Wang Zengxiang [3769 1073 4382]]

[Text] Heilongjiang Province has decided to construct local railways. The preliminary design of the 60-km section of the Dongning Railway has been completed and recently passed examination and appraisal. The early preparation for the construction of several other railways is underway.

Though Heilongjiang ranks first in the country in the total railway mileage, it still fails to meet the needs of provincial economic development. In recent years, large quantities of coal, timber and other goods and materials for production and livelihood have been stockpiled. In particular, in the remote areas, due to inadequate railway transport capability, the coal, timber and other important mineral ores have either failed to be transported out after they have been mined, or have not been mined at all. In order to improve transport capability rapidly, the provincial people's government has decided to set up the Heilongjiang Local Railway Company, which has begun operation. Preliminary plans have been made to construct the Dongning Railway (from the Hexi Station on the Harbin-Suihua Line through Dongning Township to Laoheishan), the Nenjiang-Heibaoshan Railway, the Bei'an-Heihe Railway, and the Hongxinglong-Baoqing Railway beginning this year. The trunklines of the four railways will total 613 km.

The Dongning Railway, the Nenjiang-Heibaoshan Railway, and the Beian-Heihe Railway, were constructed in the period under the puppet government of Japan, but were torn up afterwards. However, the majority of roadbed was present or was used by highways, so there was still a definite foundation for reconstruction. Due to a shortage of state funds, it was decided, upon further study, that funds would be raised through state subsidy, as well as collective investment and joint operation by the coal, forestry and railway undertakings and the localities. After the four railways are completed, the initial freight volume will total more than 7.8 million tons, and projected freight volume will increase to more than 14 million tons. They will play a tremendous role in promoting the provincial economy and in developing and utilizing Heilongjiang's abundant natural resources.

The reconstruction of the Bei'an-Heihe Railway, which the people of northern Heilongjiang have longed for, will soon materialize. On 18 July, the provincial planning and economic committee held a demonstration and examination conference at Heihe authorized by the State Planning Commission. The summary passed at the conference pointed out the significance of the reconstruction of this railway to the development of resources of northern Heilongjiang and to the enhancement of the economic development of the border region, and pointed out the necessity to speed up construction.

The Bei'an-Heihe Railway was originally constructed in 1933, and was demolished in 1946. In 1962, the state reconstructed the section from Bei'an to Longzhen. For a variety of reasons, the remaining section to Heihe, totaling 241 km, was abandoned for almost 40 years. The Heihe Prefectural Party Committee and the Heihe Prefectural People's Government, with the support of the relevant departments of the state, the Provincial Party Committee, and the Provincial People's Government, decided to reconstruct this local railway. In 3 months, the Chinese Local Railway Association completed the feasibility report on the reconstruction. Over 60 people, including leaders, experts and engineers from the concerned departments of the state and province, and delegates from the beneficiary units conducted an on-the-spot survey of key sectors, bridges and stations from 15 to 18 July. They have studied and verified the project.

Reconstruction of the railway is supported by concerned sectors in the areas of technology, investment, manpower and material resources.

9335
CSO: 4006/928

TRANSPORTATION

BRIEFS

YINGKOU PORT INCREASES TRADE--Shenyang, January 7 (XINHUA)--Yingkou Port, located in northeast China's Liaoning Province, has been revived by the increase in China's foreign trade. A provincial official noted here today that the port handled 890,000 tons of cargo and earned 6.5 million yuan of profit in 1985, more than four times the profit earned in 1984. The 120-year-old port, which formerly handled only several dozen Chinese freighters a year, served about 170 foreign cargo ships during the past year, the official said. The port was opened for foreign ships in October of 1984. Yingkou port has three 3,000-ton berths but the shallow channels prohibit it from receiving ships over 10,000 tons. To enlarge its handling capacity, the port received more small freighters, extended its opening period, and made full use of the piers. The port built two storehouses in the past year and is also planning to build another two 3,000-ton berths this year, the official added. [Text] [Beijing XINHUA in English 1505 GMT 7 Jan 86 OW] 12624

RAILROAD PLAN TARGETS MET--Beijing, January 10 (XINHUA)--China's railways, the weakest link in the national economy, is going full steam ahead, with annual transport volume, locomotive production and railway construction hitting all time highs. According to an official from the Ministry of Railways, all the targets including passenger and freight transport volume set in the Sixth Five-Year Plan were met ahead of schedule. He said passenger and freight turnover had reached a record 1,000 billion ton-kilometers in 1985. A railway construction team set a world record by driving 316.8 meters of tunnel for a double-track railway line in a month, he added. In the past year, China produced more diesel and electric locomotives than steam locomotives, marking a new stage of development in locomotive production. The official said China manufactured 384 diesel and electric locomotives last year, more than half the total number of new locomotives. The average carrying capacity per train increased to 2,210 tons, 79 tons more than in 1984. The coal trains running on the new electrified Beijing-Qinhuangdao double-track line each carried 7,400 tons. [Text] [Beijing XINHUA in English 1448 GMT 10 Jan 86 OW] 12624

CAAC TAKES OVER COUNTRY'S AIRLINES--Beijing, Jan 16 (AFP)--The Civil Aviation Administration of China (CAAC) has taken control of the administration of all the country's airlines to ensure flight safety, the PEOPLE'S DAILY said today. All airline companies and individuals flying civil aircraft must have CAAC authorization, according to a provisional State Council regulation published in the newspaper. Aircraft used for any purposes, including commercial, industrial, agricultural and medical flights, will have to be registered with, inspected and approved by CAAC, while companies leasing planes from abroad will have to submit the contracts to the organization. Beijing has authorized the creation of some dozen regional airlines independent of CAAC since the announcement of an end to the CAAC monopoly of China's airways in October 1984. It has remained unclear however what degree of independence is enjoyed by the new companies. [Text] [Hong Kong AFP in English 1445 GMT 16 Jan 86 HK] 12624

GUANGXI MOUNTAIN ROAD CONSTRUCTION--Nanning, 17 Jan (XINHUA)--China's State Council and the Government of the Guangxi Zhuang Autonomous Region have offered 170 million yuan-worth of assistance to construct roads in 48 underdeveloped mountainous counties in the region, a local official said here today. Some 650 km of rural roads, 1,469 km of tractor paths, and 696 km of horse-carried mail routes have been built in the counties in the past year. The official noted that, with the governmental assistance, the counties are now building another 2,800 km of rural roads, 1,117 km of tractor paths, and 92 km of horse-carried mail routes. The 48 counties have a population of 13.54 million, most of whom belong to minority nationalities. [Text] [Beijing XINHUA in English 1044 GMT 17 Jan 86 OW] 12624

SPRING FESTIVAL PLANNED--Beijing, January 17 (XINHUA)--The Communications Ministry today estimated that 652 million passengers would travel by road in China around the spring festival, which falls on February 9 this year. This figure over the whole holiday period -- starting on Monday and running until March 10 -- would be 13 percent higher than last year. To cope with the increase, road transport offices throughout China plan to run 4,350 extra buses on regular routes so that more than 13 million people a day can use them. Many Chinese people travel to see friends and relatives at spring festival. [Text] [Beijing XINHUA in English 1842 GMT 17 Jan 86 OW] 12624

TRAIN TRANSPORTATION CAPACITY INCREASED--Beijing, January 19 (XINHUA)--China's Railways moved more goods through container traffic over the past year, the latest issue of newspaper PEOPLE'S RAILWAYS reported. The railways moved 32 million tons of goods by using containers, 30 percent more than in 1984, the paper said. As the container transport may raise the train's carrying capacity, it means a saving of more than 7,000 trains, a cut of 900,000 hours in loading and unloading time and a saving of 80 million yuan worth of losses and packaging materials. Goods carried by containers were mainly cement, diesel oil for farm use, non-ferrous metals and other goods that are easily lost and hard to load and unload. According to the Beijing Railway Bureau, containers increased the loading capacity for diesel engines from 120 a train to 270 a train and each train saved 10.8 cubic meters of packaging timber. The Shanghai Railway Bureau was reported to have reduced the losses of cement from 10 percent to 1.5 percent by using containers. The railways also extended the container service to cover fruit, eggs and glass. [Text] [Beijing XINHUA in English 1440 GMT 19 Jan 86 OW] 12624

PRC'S LARGEST SHIPPING FLEET--Fuzhou, January 20 (XINHUA)--Coastal Fujian Province has built up China's largest ocean-going fleet since 1979, the general manager of the Provincial Shipping Company said here today. To meet the needs of China's policy of opening to the rest of the world, the company has bought 13 bulk, general and container cargo freighters and three passenger liners with the aid of bank loans. The whole fleet can now carry 100,000 tons, compared with 28,000 tons before 1979. More than 80 percent of the province's exports are handled by the company. In the past, most export goods were shipped by freighters rented from abroad. The company operates regular sailings to Hong Kong, Japan, the Philippines, Singapore, Sri Lanka and Thailand. Up to the end of 1985, it had earned 52,680,000 U.S. collars in hard currencies. It expects to pay back all loans with interest by 1988. [Text] [Beijing XINHUA in English 1035 GMT 20 Jan 86 OW] 12624

CHINA'S CONTAINER VOLUME INCREASED--Beijing, January 20 (XINHUA)--China's container freight volume last year topped 15,700,000 tons, three and a half times more than in 1980, today's ECONOMIC DAILY reported. Total volume during the Sixth Five-Year Plan (1981-1985) came to more than 46,500,000 tons, the newspaper said. China has 26 shipping lines handling containers for international trade, and more than 260 railway stations can now handle container freight. [Text] [Beijing XINHUA in English 0844 GMT 20 Jan 86 OW] 12624

SECRETARY MEETS TRANSPORTATION WORKERS--"You comrades have worked hard! We wish you a happy new year." On the afternoon of 30 December Li Ximing, secretary of the municipal CPC Committee, extended greetings to the municipal representatives of the national advanced public transportation collectives and model laborers. These representatives were invited to the conference room of the municipal CPC Committee by the municipal CPC Committee and government. Leading persons held cordial talks with them in an unconstrained atmosphere. Li Ximing and Chen Xitong, secretaries of the municipal CPC Committee, and Xu Weicheng, deputy secretary of the municipal CPC Committee, said: Public transportation is the main artery of the capital. If passengers spend less time waiting for buses, they can create more wealth for the state. Human relations can be shown on the buses. Therefore, staff members and workers of public transportation departments should not only make contributions to the building of material civilization but also should exert influence on the entire social conduct with their own labor and promote spiritual civilization. [Excerpts] [Beijing BEIJING RIBAO in Chinese 31 Dec 85 p 1 SK] /12712

MAYOR SPEAKS AT TRANSPORTATION MEETING--The Shanghai Municipal Public Utilities Bureau held a meeting yesterday afternoon to mobilize all staff members and workers of the entire bureau to be prepared for the peak transportation period during the coming Spring Festival. Mayor Jiang Zemin attended and spoke at the meeting. He extended his respects and greetings to the over 60,000 staff members and workers of the public transportation and taxi departments, who must work hard in order to ensure the city's economic construction and meet the needs of the people. He called on the public transportation staffs and workers to shoulder the pressure, ensure transportation safety, give quality service, and ensure smooth transportation during the Spring Festival period. It is understood that during this year's Spring Festival the number of passengers during the peak day will reach 15.8 million. [Text] [Shanghai City Service in Mandarin 0100 GMT 15 Jan 86 OW] /12712

NANJING PORT OPEN TO FOREIGN VESSELS--Beijing, 20 Jan (XINHUA)--Resolution of the NPC Standing Committee on Approving the Opening of the Port of Nanjing on the Changjiang to Foreign Vessels (adopted on 20 January 1986). The 14th Session of the 6th NPC Standing Committee, after considering a proposal made by the State Council and the Central Military Commission on opening the Port of Nanjing to foreign vessels, decided to approve the opening of the Port of Nanjing on the Changjiang to foreign vessels. From now on, the State Council is authorized to consider and approve the opening of any other ports between the Port of Nanjing and the estuary of the Changjiang to foreign vessels, if necessary. [Text] [Beijing XINHUA Domestic Service in Chinese 0958 GMT 20 Jan 86 OW] /12712

TIANJIN HARBOR TONNAGE--As of 30 December, Tianjin Harbor handled 18.5 million tons of cargo, a 15 percent increase over the corresponding period last year, and netted 240 million yuan in profits. Its efficiency increased by a margin much wider than the handling capacity. [Text] [Tianjin City Service in Mandarin 0030 GMT 31 Dec 85 SK] /12712

TIANJIN CONTAINER WHARF--The Sigangchi container wharf of the Tianjin Harbor, so far the largest container wharf of China, passed the state's acceptance test on 12 December and was officially put into operation. With a total length of 895 meters, this wharf can accommodate three large container liners simultaneously. Its designed annual cargo handling capacity is 300,000 standard containers. [Summary] [Tianjin TIANJIN RIBAO in Chinese 13 Dec 85 p 1 SK] /12712

GUANGDONG BUILDS MORE HIGHWAYS--A responsible person of the provincial communications department revealed at a press conference that during the Seventh 5-Year Plan, Guangdong will invest 3.3 billion yuan in building 182 kilometers of highways, 15 kilometers of main roads, 1,300 kilometers of trunk roads, 5,000 kilometers of roads in mountainous and old areas as well as counties and districts, and 20 overpasses. The key projects include the improvement of traffic conditions in Guangzhou, the construction of 120 kilometers of the Guangzhou-Shenzhen highway, and the allocation of 100 million yuan for road construction in counties and districts. [Summary] [Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 8 Jan 86 HK] /12712

CONFERENCE ON SPRING FESTIVAL TRANSPORT--In order to fulfill the transport task safely and well during this year's Spring Festival, the provincial planning committee and economic committee held a telephone conference this morning on transport work during this year's Spring Festival. In accordance with the spirit of the telephone conference jointly held by 15 ministries and commissions, including the State Economic Commission, on transport work during the Spring Festival, provincial Vice Governor Qin Kecai made specific arrangements for this work. Qin Kecai demanded that all prefectural administrative offices and all city people's governments seriously strengthen their leadership over transport work during the Spring Festival. Economic committees, communications, public security, railway, urban construction, and industrial and commercial administration departments in all areas must closely cooperate with each other and make joint efforts to successfully fulfill transport tasks during the Spring Festival. [Excerpt] [Zhengzhou Henan Provincial Service in Mandarin 1030 GMT 13 Jan 86 HK] /12712

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